| | | | | | |
|---|---|---|---|---|---|
| Austria | Sch22 | Indonesia | Rp3100 | Oman | Or1 |
| Bahrain | Din0.700 | Iran | Rls100 | Philippines | Peso40 |
| Belgium | BFr50 | Israel | IS3.60 | Portugal | Esc140 |
| Cyprus | C£0.85 | Italy | L1700 | Qatar | QR8.00 |
| Denmark | DKr12.50 | Jordan | Fils600 | S.Arabia | Rls7.00 |
| Egypt | E£2.25 | Kuwait | Fils600 | Singapore | S$4.10 |
| Finland | Fmk7.80 | Lebanon | [illegible] | Spain | Pta145 |
| France | FFr7.00 | Lux | LFr50 | Sweden | SKr10 |
| Germany | DM2.20 | Malaysia | Rls4.25 | Switz | SFr2.40 |
| Greece | Dr125 | Morocco | Dh8.00 | Thailand | Bht40 |
| Hong Kong | HK$12 | Neth | Fl2.50 | Tunisia | Din1.000 |
| Iceland | Kr125 | Nigeria | Naira10 | Turkey | L1600 |
| India | Rup15 | Norway | NKr10.00 | UAE | Dh7.00 |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

No.30,875 — Thursday June 22 1989 — D 8523A


**HONG KONG**
The search for alternative havens
Page 6

## World News

### Fed chief quits in row over pay levels

Federal Reserve Board Governor Robert Heller announced his resignation and said he was stepping down because Congress earlier this year rejected a pay increase for top federal officials.

"I certainly wouldn't go if pay wasn't an issue," he said announcing he will join VISA International, the credit card company, in San Francisco as an executive vice president.

**Troops open fire**
Troops fired on a demonstration by 500 people in the Burmese capital Rangoon killing one protester while opposition leader Daw Aung San Suu Kyi was detained but later released. Page 4

**Strike prompts offer**
British Rail is set to improve its 7 per cent pay award to rail workers to try and avert a repetition of yesterday's national rail strike which coincided in London with strikes on the underground and buses. Page 10

**Angola peace plan**
A meeting in Zaire of more than a dozen African heads of state looks set to launch an Angolan peace plan to reconcile the government and Unita rebels. Page 4

**Moscow split**
Sharp differences have emerged between Soviet officials about the real causes of the recent bloody riots and disturbances in Soviet central Asia. Page 20

**Army truce ends**
Relations between Argentina's military and government have deteriorated with an announcement by Colonel Mohamed Ali Seineldin that an uneasy 6½-month internal truce is dead. Page 3

**Coalition may break**
West Berlin's three-month-old "red-green" coalition is in danger of collapse, according to the Social Democratic Party. Page 2

**Scandal spreads**
Brazilian Central Bank is to close seven insolvent brokerages allegedly involved in a national stock market scandal. Page 3

**Khartoum protest**
Thousands of Moslem militants marched through Khartoum to protest at food shortages and peace talks with southern rebels. Page 4

**Summit replacement**
Greece's President Christos Sartzetakis is to replace Socialist Prime Minister Mr Andreas Papandreou at next week's European Community summit in Madrid. Page 2

**US strife feared**
Startled management and union leaders in the US steel industry were facing the prospect of labour strife after workers at National Steel quite unexpectedly rejected a new wage deal. Page 3

**Peru jungle battle**
Government troops killed 20 leftist guerrillas and wounded several others in a battle in Peru's jungle lowlands near the town of Aguaytia.

**Flag law waived**
US Supreme Court limited the power of states to outlaw the desecration or destruction of the national flag. Page 3

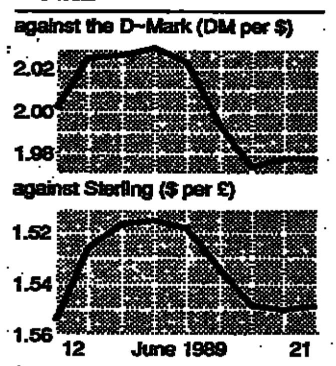
## Business Summary

### Non-Swiss allowed to buy Suchard shares

Jacobs Suchard, Swiss-based coffee and chocolate concern, is to allow foreigners to own its registered shares, the first such move by a leading Swiss company since Nestlé, Jacobs Suchard's rival, announced a similar step last November. Page 21

DOLLAR traded nervously as sharp overnight gains gave way to declines in European and early New York trading. The market was still wary following the dollar's precipitate decline last Thursday when

**Dollar**




it lost 6 pfennigs. The dollar's softer tone, combined with Bank of England intervention, helped Sterling stage a partial recovery from weakness in a thin London market. Currencies, Page 40

FRANCE and Italy voiced extreme caution over European Commission plans to scrap all controls on Japanese car imports. Page 20

PARAMOUNT Communications filed a new lawsuit in its attempts to stop Time Inc from going ahead with agreed $14bn acquisition of Warner Communications. Page 21

CHILE'S national airline, Lan-Chile, is once again up for sale, but this time the Government is offering a larger stake – 51 per cent of the company's shares. Page 21

ALGERIA'S state oil and gas monopoly, Sonatrach, is expected to finalise three new contracts to sell liquefied natural gas to the US. Page 8

BOMBARDIER, Canadian group which is buying Belfast aerospace company Short Brothers, wants to increase its mass transit equipment and consumer credit activities. Page 25

LAST-DITCH efforts by management and union leaders were under way at a closure-threatened shipyard, owned by South Korea's Daewoo group. Page 4

MOEVENPICK, Swiss restaurant and hotel chain, reported a 21 per cent rise in group net profits from SFr15m to SFr18.2m ($10.7m). Page 23

TOKYO Stock Exchange finalised its trading rules for US Treasury bond futures, which are to be listed as early as December. Page 24

INTERNATIONAL Business Machines plans to offer an upgrade kit that will more than triple the speed of its highest performance personal computers. Page 23

OSBORNE & Little, which made its name as the Sloane Rangers' favourite source of fabrics and furnishings in London, is to buy Fardis, French furnishings firm. Page 21

AMATIL, diversified Australian consumer products group about to sell its tobacco operations to its major shareholder, BAT Industries of Britain, reported a modest earnings increase. Page 22

US Semiconductor and computer companies have agreed to co-invest in a large scale memory chip manufacturing collective aimed at reducing US dependency on Japanese chip suppliers. Page 23

# Shamir condemns 'divisive hysteria' among Jews

By Hugh Carnegy in Jerusalem

MR YITZHAK SHAMIR, the Israeli Prime Minister, said yesterday, after an extraordinary outburst against him by Jewish settlers, that fighting between Jews was "the most dangerous thing that could happen" to Israel.

He said the heckling and jostling he faced on Tuesday at the funeral of a West Bank settler murdered by Palestinians was "divisive hysteria."

"I believe our only hope is to stand on complete national unity," he told a radio interviewer. He said such incidents only strengthened "the other side, the extremists among the Arabs."

He blamed a small number of settlers for the attack on him, an interpretation quickly adopted yesterday by residents of Ariel, the West Bank settlement where the dead man lived. They blamed outside activists of the extreme right-wing Kach movement for the trouble.

But they also said that the funeral scenes contained an unmistakable political message for Mr Shamir, one which will give him little comfort as he tries to smooth opposition within his own Likud party to his peace proposals for the occupied territories. The test will come on July 5 at a special party meeting on the plan.

The settlers of Ariel – and by extension a large chunk of Likud – want the army to be freed to crush the Palestinian uprising before there is any talk of engaging in peace plans. They want troublemakers deported and seek their own defence force.

They also want Mr Shamir's proposals for elections in the territories leading to limited Palestinian self-government to be, in effect, emasculated to remove any threat to Israel's continued control over the lands.

The added significance of this message coming so powerfully from Ariel is that the settlement has not previously been the centre of violent settler retaliation against the uprising, such as has occured among more fanatical religious settlers, for example, in the West Bank city of Hebron.

Ariel did spark uproar, in Israel as well as elsewhere, when it introduced identity badges stamped "foreign worker" last month for the 400 local Palestinians who work in the settlement. Comparisons were made with the "Star of David" Jews were made to wear by the Nazis, and they were quickly altered, though not abandoned.

However, Ariel's history is more of a settlement which symbolised the secular commitment of Likud to the right of Israel to hold the lands of Judea and Samaria, as the West Bank is known by its biblical names.

Ariel, now with a population
Continued on Page 20

# China ignores world's plea for clemency and executes 3 protesters

By Steven Butler in Peking and Our American and European staff

THE CHINESE authorities yesterday executed three men convicted of pro-democracy protests, bringing worldwide condemnation from those who had pleaded for clemency.

But Western governments are taking a cautious line on further sanctions against China, wary of sacrificing leverage if the executions continue, and unwilling to do irreparable damage to carefully-constructed relationships with Peking.

The three men had been convicted of burning a train in Shanghai during pro-democracy protests two weeks ago. The executions were carried out immediately after an appeals court found no legal grounds on which to overturn the sentences, made six days earlier.

Eight protestors have been sentenced to death in Peking for attacking and burning military vehicles, and are awaiting the outcome of appeals procedures.

Many more executions may follow in the weeks ahead. Li Peng, China's hardline Prime Minister, said on Monday that no mercy should be shown to anyone, whether they be students or workers, who attacked the troops or army vehicles. Some 1,500 arrests of protestors and students leaders have been announced in the Chinese media.

Many Western governments had appealed for clemency for the three, and the reaction was immediate and outspoken.

Mrs Margaret Thatcher, the British Prime Minister, said she was "utterly appalled."

"The punishment is totally out of proportion to the crime. We are calling on them [the Chinese authorities] not to persecute those who are merely trying to have better arrangements for democracy."

Mr James Baker, the US Secretary of State, said that "we deeply regret the fact that these executions have gone forward."

Mr Bob Hawke, the Australian Prime Minister, who had talks with Mrs Thatcher in London, said that they were at one in expressing a sense of "almost immeasurable tragedy."

The West German Government said it registered with "shock" the "tragic hardening" of Peking's polices. Chancellor Helmut Kohl is maintaining his appeal for clemency regarding the other eight death sentences pronounced by the Chinese leadership.

But in their strongly-worded statements of condemnation, Western leaders and officials took care not to drive a wedge between themselves and China, and to urge caution in response to the executions. Mr Baker said that "there is an important relationship here that we should seek to preserve if we possibly can. That is a consideration that must be taken on board when we consider specific actions." He said the US would take no further action immediately.

The next question for Western governments is how far they are prepared to translate their anger into co-ordinated international action against the Chinese Government.

Most countries have already taken some national sanctions against the Chinese, cancelling high level contacts and arms sales. The White House announced on Tuesday that the US would seek to postpone new international loans to China. Japan has also frozen aid loans.

But the first opportunity for co-ordinated action will come when the World Bank's board meets on Friday to consider a report from one of its senior officials who has been in Peking before deciding on whether to go ahead with some $750m in loans to China currently in the pipeline.

The US decision to seek postponement of new loans will have an influence on the outcome but will not be decisive. US officials were, however, consulting closely with those from Europe and Japan ahead of the meeting.

EC heads of government will also weigh further collective action against Peking when they meet in Madrid. The Community's economic leverage rests on the fact that it is China's second biggest trading partner, after Japan and ahead of the US. China has a trade agreement with the EC, and is the second largest beneficiary of the Community's generalised system of tariff preferences. It also has an economic cooperation agreement which is due for renewal next year.

The Chinese Government has yet to respond to sanctions announced on Tuesday by Japan and the US. News has also been kept out of the Chinese media, though the Government has reacted harshly to foreign criticism.

West presses Tokyo, Page 4

# EC environment agency 'open to rest of Europe'

By Tim Dickson in Brussels

THE EUROPEAN Commission's growing determination to take a lead on environmental issues was underlined yesterday when it published its detailed proposals for a European Environmental Agency.

Launching the initiative in Brussels Mr Carlo Ripa di Meana, the EC's Environment Commissioner, made clear that participation in the new venture would not just be confined to the 12 member states of the EC and added that "considerable interest" has already been shown by members of the European Free Trade Association – notably Norway, Sweden, Austria and Switzerland – and several Eastern bloc countries.

Responding to mostly UK fears that the new organisation may duplicate existing institutions, he stressed that the agency would be "non-bureaucratic," would make "maximum use" of existing national environmental monitoring systems, and would not be a "Trojan horse" for a US-style environmental agency with potentially sweeping powers of investigation and enforcement.

Its main function will be to gather objective EC data on environmental problems such as air and water quality and soil pollution, a task which EC officials say is fraught with difficulty at the moment because of the sometimes widely differing information supplied by member states.

Armed with such technical, scientific and economic data, the hope in Brussels is that the Commission will be better able to formulate future policies on the environment.

The agency, it is stressed, will be independent of the Commission, though it will have no legal powers of its own: the Brussels authorities will retain responsibility for the application and enforcement of EC law.

Clearly conscious of the impressive "Green" vote in the European elections, Mr Ripa di Meana emphasised that the "attainment of the internal market has to be brought about with the highest level of environmental protection." Noting that the two-and-a-half million British citizens who voted for Green candidates will not be represented at the Strasbourg assembly, he said that their "anxieties and preoccupations deserve the maximum attention. I shall travel to the United Kingdom to hear these preoccupations."

The Agency initiative, foreshadowed in a speech to the European Parliament by Mr Jacques Delors, the Commission President, in January this year, is understood to have been inspired by the French Government, which takes on the six month Presidency of the EC at the beginning of next month.

Given the "Green wave" which has swept across the whole European political spectrum recently it seems inconceivable that the agency plan will not be approved by member states before the end of the year.

**The Commission says plans for controls on cross-border mergers need fleshing out. Page 2**

**France and Italy caution on Commission plans to end controls on car imports from Japan. Page 20**

# Montedison to seek full control of Enimont in three years

By Alan Friedman in Milan

A THEATRICAL confrontation between Mr Raul Gardini, chairman of the Montedison chemicals group, and hundreds of Green activists attending the company's annual meeting in Milan, was yesterday transformed when Mr Gardini made a corporate announcement about the future of Enimont, the new joint venture chemicals business that Montedison shares with ENI, the state holding group.

Before addressing the concerns of the Greens, Mr Gardini declared that three years from now he intended to take advantage of a clause in the Enimont contract to try to acquire full control, so privatising the venture, merging it back into Montedison and changing its name.

Although Enimont has just begun operating as Italy's main hope in the European chemicals industry – and despite the fact that Mr Gardini has been at the centre of a political controversy over L825bn ($575m) of special tax deferrals he obtained in connection with Enimont – Mr Gardini declared that he would seek to privatise Enimont at the end of three years.

He said ENI would face three options: to accept the transfer of more Montedison assets and then cede control of Enimont; to refuse this proposal and offer to buy out all of Montedison's stake; or to sell part of its Enimont stake to Montedison to give Mr Gardini majority control.

His announcement comes just as Enimont is seeking to raise more than L1,000bn among international investors by selling 20 per cent of the joint venture's equity and then quoting Enimont on the Milan bourse. At ENI headquarters in Rome a senior aide to Mr Franco Reviglio, ENI's chairman, replied to Mr Gardini by saying: "As far as the future ownership of Enimont is concerned, we'll talk about this matter at the appropriate time, in three years. But the final decision on Enimont, as the contract stipulates, will rest with ENI and the Government."

Meanwhile, a new chapter of Italian corporate history was being written as more than 400 Greens, Communists and other environmentalists swarmed into the annual meeting, presented themselves as small investors and trans-
Continued on Page 20

# Plan for Poland urges a return to capitalism and free currency

By Edward Mortimer in Warsaw, John Lloyd in London and Peter Riddell and Lionel Barber in Washington

A PLAN to solve Poland's economic and financial problems by a dramatic austerity programme, combined with a new convertible currency and a rapid restoration of capitalism, has been approved in principle by experts from the Warsaw Government and Solidarity, in the hope that Western leaders will back it when they meet in Paris in mid-July.

Devised by Mr George Soros, the Hungarian-born New York financier and fund manager, the plan is presented as a bargain between three parties – the Western creditors, the Polish Government and the Polish people – and calls for sacrifices from all three.

Prof Bronislaw Geremek, Solidarity's senior adviser who was in London to meet Mrs Margaret Thatcher, UK Prime Minister, said it was the first such plan which the Government had not thrown out. However, in a speech to the Royal Institute of International Affairs, he warned against imposing excessive sacrifices on the Polish people – and called for "massive and immediate aid" from the West.

US officials said they had yet to receive details of the economic reforms proposed, was disinclined to pump money into Poland and, anyway, did not have much to spare.

UK officials said the plan was far too interventionist for a Polish Government to accept – and too impractical for international institutions to put their names to. Creditors would be expected to provide $5bn of finance over the next three years – half by reducing interest payments and half in the form of new credits from the World Bank and the IMF.

The Warsaw Government would hand over all Poland's state-owned enterprises to a liquidating agency. This would reorganise them into joint stock companies and find owners for their capital – 25 to 35 per cent being put into trusts to service the debt, with managers appointed by the creditors and authorised to hold or sell the shares. Other shares would be sold directly to investors "at home or abroad" with the remainder sold through a free capital market.

The most dramatic and politically explosive sacrifices, however, are called for from the Polish people. A monetary stabilisation scheme, arranged with IMF assistance, would involve what Mr Soros described as "a cold turkey treatment of inflation in which price controls and subsidies are removed all at once and the zloty is tied to the European Currency Unit at a realistic exchange rate."

Most prices would be allowed to find their own level, while wages and social benefits would be fixed for between six and 12 months. "Thereafter, wages would be subject to collective bargaining, and social benefits would be indexed to the cost of living."

## MARKETS

**STERLING**
New York lunchtime: $1.548
London: $1.5495 (same)
DM3.0525 (3.065)
FFr10.3625 (10.4)
SFr2.5375 (2.56)
Y222.75 (223.25)
£ index 90.6 (91)

**GOLD**
New York Comex Aug $375.7 (369.6)
London: $366 (same)

**N SEA OIL (Argus)**
Brent 15-day Jul $16.78 (16.625)

Chief price changes yesterday: Page 21

**DOLLAR**
New York lunchtime: DM1.971, FFr6.6885, SFr1.7005, Y143.935
London: DM1.97 (1.978), FFr6.6875 (6.7125), SFr1.7025 (1.71), Y143.75 (144.05)
$ index 72.3 (same)
Tokyo close: Y144.95

**US LUNCHTIME RATES**
Fed Funds 9½%
3-mo Treasury Bills: yield: 8.384%
Long Bond: 106⅞ yield: 8.244%

**STOCK INDICES**
FT-SE 100: 2,172.2 (+7.4)
FT Ordinary: 1,800.9 (+9.1)
FT-A All Share: 1,112.12 (+0.2%)
FT-A long gilt yield index high coupon: 9.78 (same)
New York lunchtime: DJ Ind. Av. 2,480.84 (+7.98)
Tokyo: Nikkei 33,345.28 (+111.81)

**LONDON MONEY**
3-month interbank: closing 13 11/16% (14⅛)

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**Sudan's exiled former president awaits the recall to power**

Mr Jaafar Nimeiri, the deposed former president of Sudan, heartened by reports from Khartoum that protesters have been chanting his name, has indicated that he is willing to return to his country Page 4

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# Bundesbank fear over problems of German success

By Andrew Fisher in Frankfurt

THE Bundesbank yesterday emphasised the cloudier side of West Germany's increasingly robust economy, with its soaring company profits and swelling order books, by stressing the development of capacity bottlenecks, rising costs and prices, and a sharp rise in foreign surpluses.

"The price climate in the Federal Republic is still exposed to considerable domestic and external pressures," the central bank said. In the past 12 months, import prices had risen by at least 7 per cent, this trend being strengthened by the current weakness of the D-Mark. Selling prices of German goods had also advanced; excluding the impact of consumer tax changes, industrial, construction, and consumer prices moved up by between 3.5 and 4 per cent in the first few months of 1989 on a seasonally adjusted, annualised basis. However, the recent fall in oil prices had reduced price pressures.

Although the growth in money supply had eased, there was still a good deal of liquidity in the economy, the bank said. Thus monetary policy would continue to be aimed at curbing the expansion rate. In May, growth of the broad M3 monetary aggregate slowed down further to a rate of 5.4 per cent, thus approaching the 1989 goal of "around 5 per cent."

Commenting on Germany's high surpluses, the bank said that the "almost tempestuous" rise in foreign demand had not just halted the adjustment process of economic imbalances, but reversed it. In the first four months of 1989, Germany's current account surplus was a seasonally adjusted DM40bn ($21.4bn), nearly half the DM85bn achieved in the whole of 1988.

Germany was now in an "extraordinarily strong position" competitively, helped by the impact of industrial investment activity on demand from abroad. This trend had been helped by the weakening of the D-Mark against the currencies of important trading countries. Thus, on top of their advantages of quality and quick delivery, many German goods had also become cheaper for foreign buyers than those of other suppliers.

It was foreign demand which provided the strongest impulses for Germany's growth, the Bundesbank said. As already announced, gross national product rose by 3 per cent in the first quarter over the last quarter of 1988. "A flood of orders" had led to delivery problems at some companies. In January-April, German export orders were 13.5 per cent higher than in the previous year, with a 9 per cent volume rise. Although companies had invested to expand capacity, the effects of this would take time to show through. Capacity problems at many companies were reflected in longer delivery times, and increased use of overtime and special shifts, which meant higher production costs.

## Pöhl inflation warning as trade surpluses mount

By Andrew Fisher

SPAIN, Britain and Italy, with which West Germany has high trade surpluses, should moderate their growth to prevent higher inflation, Mr Karl Otto Pöhl, president of the Bundesbank, said yesterday.

Expressing concern that the higher than expected economic expansion rate in Germany could lead to accelerated price rises, he said the country's increasing trade surplus reflected high demand in Europe.

While German exports to the US had recently fallen, and Germany had imported more US goods, the surplus with the EC had continued to rise strongly. "Despite the strength of the dollar, the adjustment process is working with the US. But in Europe, there are high surpluses with Britain, Spain, and Italy." Without their present high imports, Spain and Italy would not be able to sustain their growth rates. "But this cannot continue for ever."

Since exchange rate changes could not solve the problem – the UK is not in the European Monetary System and Italy and Spain (newly joined) have wider fluctuation bands than other members – the answer was better policy co-ordination.

This could be discussed at the EC summit in Madrid. Mr Pöhl also recognised that Britain, for example, had taken strong action to curb domestic demand. Germany could not cut its surpluses itself. Further German economic expansion to boost imports would lead to inflationary problems. "Rather, we are worried that the economy is booming too strongly." The easing of commodity prices and the fact that the gold price had not risen despite events in China showed "there is no worldwide inflation hysteria." Nor was Germany's inflation rate of 3.1 per cent unsatisfactory.

# US chief of staff's Soviet trip was 'genuine learning experience'

By Quentin Peel in Moscow

ADMIRAL William Crowe, chairman of the US joint chiefs of staff, yesterday finished an unprecedented 10-day exploration of Soviet military bases, and confessed he had undergone "a genuine learning experience."

The top military commanders of the US and the Soviet Union spent most of the 10-day period getting to know each other – as well as touring every aspect of the Soviet military machine from a strategic missile launch pad to a nuclear submarine.

Admiral Crowe was in the Soviet Union at the invitation of General Mikhail Moiseyev, chief of the Soviet armed forces general staff, in return for the US visit last summer of Marshal Sergei Akhromeyev, the General's predecessor.

"When you don't know each other, opinions can be very contradictory," General Moiseyev said yesterday. "As we tried to understand each other, we have found better contacts in many fields, not only in the military field."

Over the past 10 days, Admiral Crowe has visited a strategic missile site outside Moscow, climbed into the cockpit of a Tupolev-160 bomber, followed a naval exercise of the Soviet northern fleet on board the missile cruiser Kirov and boarded a nuclear submarine.

He attended war games at the Soviet military staff college, intended to demonstrate that they are now playing "defensive" war games, not offensive ones, and he saw the same "defensive military strategy" being put into practice in army exercises in Byelorussia.

At the end of it all, however, he stressed the personal contact. "The most constructive thing that I did on this trip was to have personal conversations with the Soviet leadership," Admiral Crowe told a press conference before his departure.

"There is no question that our relationship is improving. We have been able to sweep aside some of the misunderstandings between us and clarify some of our differences."

He said the most powerful impression he gained was the realisation of "what a searing experience World War Two was for the Soviet nation."

After visiting no less than five "hero cities," like Volgograd (formerly Stalingrad), Leningrad and Minsk, decorated for their resistance to German forces during the war, he confessed: "It gave me a much better appreciation of the sacrifices that the Soviet Union made. It explains many of the things which I have seen and heard, particularly the very close relationship between the people of this country and their armed forces."

Admiral Crowe said he had not come to negotiate, but key issues discussed included the newly-announced figures for the total Soviet defence budget – at Rs77.3bn ($75.6bn), lower than most Western estimates.

"I don't believe there is some concealment," he said, but he also doubted that the Soviet figures were comparable with Western military spending. "Without price reform in place I am not so sure it is possible to reconcile the figures."

General Moiseyev insisted the Rs77.3bn included all aspects of Soviet military spending – including the military part of the space programme. But he admitted costs appeared to be very different: a Soviet SU-25 strike aircraft costs just Rs5.8m ($8.7m at the official exchange rate), but compares with a US F-16 which costs more like $16m.

The Soviet chief of staff, giving his first appearance before the foreign press, was quick to counter any potential propaganda points by his counterpart – and vice versa.

Admiral Crowe insisted that naval forces were not and should not be included in the current conventional force negotiations – and anyway the US had a far greater interest in protecting its sea lanes for trade than the land-centred Soviet Union.

General Moiseyev repeated a promise by Mr Mikhail Gorbachev – who received the US chief of staff yesterday – that the Pacific port of Vladivostok would eventually be open to foreign trade and visits. But he admitted that it was taking a long time to redeploy naval facilities there.

On that point, and the complexity of the entire disarmament process, Admiral Crowe was sympathetic. The greatest danger, he said, was that "people will ask for too much, too quickly. These are difficult questions and technical questions: we are prepared to take the time and confront these questions."

# Solidarity leader fears 'explosion'

By John Lloyd

SOLIDARITY'S most prominent leader after Lech Walesa yesterday said he feared an "explosion" in Poland if Western aid was not immediately forthcoming to give Poles some "hope" in the face of increasing economic difficulties.

In a speech in London, Professor Bronislaw Geremek, the Polish movement's senior adviser, warned that if the only practical result of the elections – the second round of which was completed on Sunday, with Solidarity winning 260 seats out of a possible 261 – were price rises, inflation and falling living standards, "the result could be a social explosion: not just unrest and a series of strikes; but an explosion. In this situation Solidarity could be considered to be a part of the establishment – because how is it possible that having given victory to Solidarity, the only result would be a deterioration of the economic situation".

On the other hand, Professor Geremek also underscored the Solidarity leadership's determination to sustain the reformists within the ruling Polish United Workers Party and to underpin their intention to evolve towards democracy.

"If the Polish Party has no interest in this evolution it will destroy it, we know that. During the Round Table talks we were told they were willing to accept this kind of transformation. Is it possible? No one knows – it has never happened before."

Professor Geremek recounted a Walesa joke about Communists changing to democracy: "One can make fish soup from an aquarium, but one cannot make an aquarium from fish soup".

He believes, however, that the army and the police – the locus of effective power in Poland, he says – will continue to back the reforms as long as they are made under General Jaruzelski's leadership.

Professor Geremek did not say so in his speech, but he and the Solidarity leadership would be likely to accept a party/government leadership which saw General Jaruzelski as president, but which removed Mr Mieczyslaw Rakowski – who Solidarity still distrusts – from the premiership, perhaps to the post of first secretary of the Party, and let Mr Wladyslaw Baka, presently the Politburo member in charge of the economy, take over as prime minister.

Treading this delicate line, between a possibly desperate party and a possibly revolutionary people, Professor Geremek appealed for Western aid. He repeated the appeal to British ministers and the Prime Minister, whom he met yesterday.

His political perspective is that the next two years should see the progressive withdrawal of party power from the judiciary, the top ranks of industry and the media. Only after these reforms had been set in motion and the local government elections were over – in about 18 months time – would Solidarity begin to transform itself into different parties in order to be ready for the fully democratic elections in four years.

● Industrial output in Poland grew by 1.6 per cent in the first five months of the year – less than half the 4.2 per cent figures planned for the whole year by the government, new official figures show, *Christopher Bobinski writes*.

Prices rose 78 per cent in the first five months of the year, against a figure of 47 per cent projected for the whole year, while incomes in January to May rose 113 per cent.

UNLIKELY PARTNERS: Communist leader Charilaos Florakis (left) and Constantine Mitsotakis, leader of the New Democracy party, after talks on forming a coalition yesterday.

# Greek president to replace defeated PM at EC summit

By Andriana Ierodiaconou in Athens

GREECE'S President Christos Sartzetakis, is to replace Socialist Prime Minister Mr Andreas Papandreou at next week's European Community summit in Madrid, it was announced yesterday.

Mr Papandreou remains in his post as caretaker, and could technically have represented Greece, following Sunday's inconclusive general election in which the opposition conservatives defeated the Socialists but failed to secure a majority in the 300-member parliament.

The decision represents a tactical victory for Mr Constantine Mitsotakis, leader of the conservative New Democracy, last Sunday's front-runner.

The results, announced yesterday, gave New Democracy 44.25 per cent of the vote and 145 seats against 39.15 per cent and 125 seats for the Socialist Party (Pasok). The Communist Alliance was third with 13.12 per cent and 28 seats.

Having failed to secure an outright majority, Mr Mitsotakis is seeking to demonstrate to the electorate that he is the de facto leader of the country, even though the Socialists formally remain in place until a new government can be installed to run the country or hold new elections. In line with this policy the conservative leader successfully called on the president to replace Mr Papandreou in Madrid.

Mr Mitsotakis has also called for the replacement of the directors of Greece's state-controlled television, which has served Pasok as a major propaganda tool, the directors of state corporations and regional governors – posts filled by political appointees.

Meanwhile, Mr Mitsotakis yesterday began sounding other political figures, starting with Alliance leader Mr Charilaos Florakis, about the possible formation of a government.

The Alliance has already ruled out a coalition with New Democracy. It appears, however, that the Communists might be willing to participate in a national unity government which would include the Conservatives. The setting up of such a government to administer the country and organise new elections is constitutionally provided for under the so-called "fourth mandate."

It is unclear whether Pasok would be willing to participate in a national unity government. If efforts to establish one fail, a purely technocratic services government is appointed to oversee new elections.

New Democracy and the Alliance are concerned that in that event, parliament would not be able to set about prosecuting members of the defeated Socialist government implicated in financial scandals.

Any crimes committed by members of the outgoing parliament would, constitutionally, be written off if the legislators elected on Sunday fail to investigate them before new elections are held.

Involvement in a $2m bribery scandal surrounding former banker and press baron, Mr George Koskotas, was a main reason for the Socialists' defeat.

# Kick-back amnesty for French politicians

By Ian Davidson on Paris

UNDER the implicit cover of the presidential amnesty in honour of the Bicentenary, by which some 3,000 prisoners will benefit from early release, the French government has moved hurriedly to decree an end to two political scandals which have for some time appeared to threaten the liberty of even larger numbers of politicians.

The occasion for this political amnesty is a new law on the rules governing the finances of the political parties; in reality the new law is just a pretext for the amnesty, since many hundreds, and perhaps several thousands, of French politicians, local and national, broke the existing party-finance law, which was passed only last year, in order to extort illegal kick-backs for party coffers.

In parallel, and as if by coincidence, the investigations into the illegal sale during the early 1980s by the French company Luchaire of artillery shells to Iran has been closed down. The ostensible reason is the lack of evidence; in reality, it appears that the case was deliberately obstructed by the political authorities.

The Luchaire scandal appeared to implicate a handful of individuals in the company, in the administration and (possibly) in the Socialist Party. The scandal of the political kick-backs is cast on an entirely different scale, since it could have implicated, according to one estimate, 5,000 or even conceivably as many as 10,000 people from both sides of the political spectrum.

Police investigations in the Marseilles area revealed that local politicians were using their control of building contracts to extort underhand contributions to party finances. It soon became clear that the practice of political kick-backs, which had been facilitated by the Socialist devolution of decision-making to local authorities in the early 1980s, was nationally rampant.

The government has claimed that in the vast majority of cases the law was "only" being broken to supplement party finances, not for personal enrichment. But the scale of the law-breaking provided a powerful incentive to wipe the slate clean, and avoid mass jailing of guilty politicians.

Under the new law, political contributions will be limited to FFr50,000 from an individual or FFr500,000 from a company or association, for any individual election campaign. Campaign expenditure will be restricted to FFr120m for a presidential election, and to FFr500,000 per constituency for a general election.

In addition the state provides finance for the parties in proportion to electoral success.

# More detailed EC merger rules urged

By William Dawkins

AMBITIOUS plans for EC-wide controls on cross-border mergers will need fleshing out with new and more detailed measures, says a European Commission report released today.

The study is the first clue that the Commission's merger control regulation, expected to win member states' agreement before the end of the year, may not be its only planned weapon for monitoring the growing number of international mergers in the run-up to 1992.

The current proposal would oblige mergers with combined turnovers of more than Ecu5bn ($4.8bn), among other criteria, to seek advance clearance from the Commission.

While this would be an effective merger control tool, it fails to tackle several important practical problems, says the report, in the latest issue of European Economy, the Commission's magazine.

A more sophisticated method of screening mergers for fuller investigation is needed, it says, calling the current plan's legal definitions of competitive distortion "unsystematic."

Bidders should be under greater obligation to argue the case for potentially anti-competitive mergers that nevertheless might have broader benefits, it adds.

While the conclusions are not official Commission policy, they do indicate the nature of the internal debate as to how Brussels can better apply its anti-trust powers to the new wave of cross-border takeovers.

Mergers between the EC's top 1,000 companies nearly doubled from 155 in 1984 to 303 in 1987, a trend which should accelerate in the next few years, says the study.

It says the present criteria for assessing the benefits of a merger are inevitably vague and give the Commission considerable discretion. This explains why some governments saw the proposed regulation as a worrying transfer of industrial sovereignty.

The problem with a simple sales threshold is that it cannot cope with potentially anti-competitive mergers that may be only just below Ecu5bn.

Brussels has no other way of coming back on these, since the Commission has promised to take no action against mergers outside the criteria in the regulation. This ignores mergers in sectors where total EC output may be below the threshold, says the report. It lists 15 industries with total EC output of less than Ecu5bn in 1985, including cycles, watches, musical instruments and asbestos goods, where a small takeover could have big anti-competitive effect. And the threshold could be too strict for very large industries.

The answer, says the paper, is for mergers to continue to be notified to Brussels on the basis of the threshold, but for the Commission rapidly to screen out deals on the basis of two main indicators, import penetration and demand growth.

These would be used to decide whether to proceed with an inquiry, rather than to produce a final judgment on deals needing more examination. Link-ups in industries where imports and demand are high should be presumed less likely to distort competition than mergers in sectors where there is little competition from imports, and demand is sluggish.

Other factors like market share of EC market leaders against Japanese and US competition should be considered.

The paper also proposes that potentially anti-competitive bidders should be obliged to produce detailed evidence as to how the deal might affect consumers' interests and generally improve the efficiency of markets in ways that could only be achieved by the merger.

This would help the Commission avoid the trap of accepting rationalisation arguments too easily, as it has done in the past, argues the paper.

It would also put pressure on the bidders to be clear about their own European strategies. It quotes earlier research showing that only 45 per cent of a sample of horizontal mergers (between companies in the same industry) enabled bidders to recover the cost of their capital invested in the acquisition.

For this reason, it says: "It is reasonable to place the main burden of proof of efficiency gains on the initiator of the operation."

*European Economy, June 1989, Librairie Européene, Rue de la Loi 244, 1040 Brussels*

# Rapid rise of a Tuscany boy turned trade unionist

## Robert Taylor talks to the new leader of the International Metalworkers Federation

TODAY, a 42-year-old Italian immigrant worker from Sweden takes over one of the most important jobs in the trade union world – important at least in terms of the scale of its operation and the number of workers it represents.

Mr Marcello Malentacchi is about to become the general secretary of the Geneva based International Metalworkers Federation – the other IMF – with 14m members in 170 affiliated trade unions across the world.

His astonishing and rapid rise to the top of the international labour movement reflects the impressive influence and foresight of the Swedish labour movement.

He is the first migrant worker in post-war Europe to reach the heights of international labour. Mr Malentacchi, a fluent speaker in six languages, is promising to shake up the organisation and give it a new radical direction. He wants to widen its appeal to industrial workers in the newly emerging nations of Asia and Latin America which are industrialising at a rapid pace.

"We have to build bridges between the old industrialised countries and the new," he told the Financial Times in an interview. "I am convinced that the future big battles in industrial relations will take place with the multinational companies operating in the developing world."

He believes the same social standards and working conditions should apply for workers where ever they work for the same company.

"A worker in Kenya has the same need for safety as his brother in Japan. An office clerk in France risks his health by the sedentary terminal work the same way as does his or her colleague in Detroit."

Mr Malentacchi would like to see international collective agreements covering big companies with operations around the world. He intends to concentrate an offensive strategy on four or five employers, bringing unions together across national frontiers to spearhead a campaign for common collective rights.

Born in Grosseto in southern Tuscany, the only son of an agricultural labourer who spent some time in prison as a Socialist under Mussolini, Mr Malentacchi moved to Sweden at the age of 17 in search of work. "All I had to offer were my hands," he recalls.

He belonged to one of the first waves of foreign immigrants that came to northern Europe in the early 1960s. His first job was washing dishes at the luxurious Park Avenue Hotel in Gothenburg. After several unskilled, low paid jobs he joined the Volvo motor company where he worked on the assembly line as a fitter at its huge Torslanda plant in Gothenburg.

He rapidly became a spokesman for the large number of immigrant workers there, mainly from Finland.

"Life was tough for them," he recalls. "Many came from the countryside and had no experience of the time discipline required by factory work and there was also a language problem."

Mr Malentacchi soon took an active role in the metalworkers union, and became a shop steward and eventually chairman of the 10,000 strong Volvo plant negotiating committee. He is still proud of his success in convincing the company to provide its foreign workers with 240 hours of free Swedish language training in working hours, a move that was followed by national legislation to help integrate immigrants into Swedish life.

In 1974, he was plucked off the assembly line by the union and brought to its head office in Stockholm where he worked first of all on immigrant worker questions before becoming the union's chief spokesman on environmental issues.

Mr Malentacchi is very much the protege of the union's leader Mr Leif Blomberg, who was influential in getting his appointment in 1981 to the IMF as its health, safety and education director.

A friendly and sympathetic figure, Mr Malentacchi has won support across the trade union movement. But he has no illusions about the problems ahead. The number of metalworkers belonging to trades unions is falling. "We are organising a minority," he points out. "There are a potential 50m who should be in our ranks."

Mr Malentacchi wants to break down blue/white collar divisions, harness new technology for the benefit of workers, and expose the evils of environmental pollution in factories.

Above all, he wants to see the IMF taking the initiative. He points out that workers had little influence over the past 10 years in the restructuring of the steel and shipbuilding industries.

He believes that auto manufacture, electronics and data processing will experience fundamental change in the 1990s. "No good us sitting back passively," he declares. "We must formulate a union policy now to avoid setbacks in the future."

## W Berlin red-green alliance 'at risk'

WEST Berlin's three-month-old "red-green" coalition is in danger of collapse, according to the Social Democratic Party (SPD), writes Leslie Colitt in Berlin.

It accuses the Alternative List (AL) – West Berlin's Greens – of failing to live up to the coalition agreement.

# Italian steel rescue likely to be frozen

By William Dawkins in Brussels

ITALY'S L5,198bn (£2.4bn) rescue package for its state-owned steel industry is likely to be frozen until Rome gives a firm promise to shut the Bagnoli steel smelter near Naples.

A meeting of European Community Industry Ministers is expected to rule that Rome cannot give aid to its public steel companies until it accepts a European Commission plan to close Bagnoli by the end of next March.

The furnace was originally due to close at the end of this month, according to a ministerial agreement last December. But the Italian government asked for a year's reprieve after angry steelworkers later rioted in the streets of Naples, unable to accept the closure of the furnace at a time when Italy is having to import steel to supply a sustained upturn in domestic demand.

The Commission decided this week to allow Bagnoli a nine-month reprieve on condition that one-third of the state aid package is delayed until after the closure. It also agreed extensions for a plant in Lovere and a cold rolling mill in Turin.

These reprieves need the unanimous assent of the 12 member states, among which West Germany, the Netherlands and the UK are reluctant to allow the Italian steel industry much more time. Their steelmakers feel they have competed for too long against subsidised Italian products, in an EC market still burdened with surplus capacity.

Ministers were prepared yesterday to accept a limited delay for the closure of Bagnoli so long as an eventual closure agreement is made fully binding. However, the May collapse of the Italian government left it unable to make any promises on this issue yesterday.

Its EC partners were accordingly ready to let Bagnoli, Turin and Lovere continue to function until Rome can give its view, so long as the industry received no state aid. This was despite arguments from some officials that the fact that Italian banks were continuing to lend to the industry already amounted to artificial assistance.

● The EC will spend Ecu110m (£74m) on advice and assistance for small businesses between 1990 and 1993, Industry Ministers agreed yesterday.

The Commission wanted a higher sum, Ecu135m, but Mr Alan Clark, the UK Trade Minister and Mr Roger Fauroux, French Industry Minister, demanded that the plan be scaled back to Ecu110m.

The Ecu25m balance, however, is still available for spending over the same period.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

AMERICAN NEWS

# Fears of labour unrest as steel pay deal rejected

By James Buchan in New York

STARTLED management and union leaders in the US steel industry were yesterday facing the prospect of labour strife after workers at National Steel quite unexpectedly rejected a new wage deal.

The rejection of the four-year contract, which was closely patterned on a deal approved last month by workers at Bethlehem Steel, raises the prospect of a strike when the current pay settlement at National expires at the end of next month. It is also sure to disrupt talks new wage contracts at Inland Steel and Armco.

The United Steelworkers said yesterday that no meetings had been scheduled with management at National, which is half owned by NKK of Japan.

The union confirmed that rank-and-file members at National – the sixth-largest steelmaker, with big plants near Detroit, Chicago and St Louis – had rejected the 50-month pay deal by a comfortable majority. The deal, which restored pay cuts taken during an industry crisis in 1986 and offered pay rises in 1991 and 1992, was almost identical to a contract overwhelmingly approved by workers at Bethlehem, the second largest steelmaker, in May.

The rejection is an embarrassment for the union leadership, which has sought to avoid strife in the convalescent industry. "The contract would have meant that workers at one company would not have been at a disadvantage to workers at another," said Mr Dick Fontana, the union's spokesman. "But I saw notations on the ballots saying 'Not enough money', and a local president told me that his men wanted more upfront."

Many workers in the steel industry have seen no rise in wages since the industry plunged into crisis in the early 1980s.

The uncertainty poses a big challenge to NKK, the Japanese industrial group which bought into the Pittsburgh company in 1984 to gain a US production base.

# 'Beige book' sees US economy still growing

By Anatole Kaletsky in New York

THE US economy is continuing to expand with very few signs of accelerating inflation, but manufacturing growth is levelling off and real estate markets are sluggish, according to the closely-watched "beige book" on economic conditions published every six weeks by the Federal Reserve Board.

The beige book – a compilation of detailed industrial reports gathered by the 12 regional banks which make up the Federal Reserve system – is considered an important source of information for the central bank's Federal Open Markets Committee, which sets the course of monetary policy.

The FOMC's next meeting, in the first week of July, could have particularly far-reaching effects on financial markets around the world because of the recent surge of the dollar and the US bond market. The dollar weakened initially in response to the beige book's publication, and bond prices rose as traders judged that the reports of slowing growth and moderate inflation might tilt the FOMC towards a slight further easing of policy.

On closer inspection, however, most analysts concluded that the beige book contained no real surprises.

The beige book said "economic activity for most of the nation continues to advance", but some regions were experiencing "ebbing rates of expansion". The areas of weakness were mostly related to poor real estate markets, weak demand for construction-related and defence products, and sluggish car sales.

However, non-vehicle retail sales remained healthy in most areas, capital goods orders continued to be strong, and capacity utilisation remained high in many sectors.

# Insolvent brokerages to be closed in Brazil

By John Barham in São Paulo

THE BRAZILIAN Central Bank is to close seven insolvent brokerages involved in a national stock market scandal. One of them belongs to the bank's outgoing president, Mr Elmo de Araújo Camões.

A São Paulo investment bank associated with Bankers Trust is also reported to be closing of its own accord.

One of Mr Camões's final duties at the bank was to sign an order liquidating the brokerages, including his, Capitanea. Mr Camões announced his resignation on Monday after the extent of his firm's losses became public. His son, Mr Elmo Camões Filho, manages the firm.

The Government is unlikely to name a successor at the bank until Congress has reconvened after the southern winter break. Senior government appointments are subject to confirmation by the Senate. Meanwhile, Mr Wadico Bucchi, a Central Bank director, will be acting president.

Capitanea sustained losses after the big speculator Mr Naji Robert Nahas was unable to honour debts to the market. This forced the Government to intervene in equity markets last week. Capitanea is now said to have reduced its debts to some $22m from a much higher figure.

A Central Bank liquidator is to share the brokerages' assets among creditors. The market puts their losses at about $50m. The bank would not indicate the brokerages' debts. The firms' directors will have their assets blocked until the liquidations are complete.

A São Paulo broker said: "These (the seven brokerages) are the hard-core operators. Anybody who could possibly avoid Central Bank intervention and liquidation has already done so."

Operators say that Planibanc, a São Paulo investment bank set up in February which is owned by four major Brazilian corporations and Bankers Trust of New York, will also close after sustaining losses of some $50m. None of the bank's officers was available for comment.

Planibanc was one of several banks that financed Mr Nahas's stock position.

# Administration muscle thwarts thrifts

## Peter Riddell tells how US savings and loans are being remoulded

"THE PRESS destroyed us. We were treated like fast-talking Texas cowboys. We got killed." So said Mr Doug Faucette, chief lobbyist for a coalition of US savings and loans groups, after the House of Representatives had defeated most of his favoured amendments to the savings and loan rescue plan.

For once, the thrift industry has not got its own way in Congress, despite having made contributions to House members totalling nearly $2.2m in the past three elections. The version of the rescue plan, which will go soon to a House-Senate conference for reconciliation, is as tough, and in some respects tougher, than the Bush administration proposed more than four months ago.

This outcome is in many ways surprising because, until 10 days ago, savings and loan lobbyists thought that, as often in the past, they had lined up enough Congress members to weaken the measure. However, a combination of a strong lead from President George Bush and the determination of the new Democratic House leaders to show they could produce results led to a reversal.

The key issue has been capital standards. The Bush administration originally proposed that thrifts, like banks, should have a positive net worth equal to 6 per cent of their assets by 1991. However, this included goodwill. The Senate version adopted different definitions requiring a 3 per cent proportion, with at least 1.5 percentage points in tangible capital (cash, securities or other liquid assets) by 1991, with goodwill being phased out over 25 years.

The House – first in its Banking Committee and then on the floor – took a tougher line. Its version requires cash and other tangible assets to be eventually at least 3 per cent of the total, and 1.5 per cent by June 1990. Under the House version, goodwill's status as asset would be phased out over three years.

Savings and loan industry supporters, led by prominent Republican Congressman Henry Hyde, failed in attempts to allow about 250 thrifts to appeal for exemption from these rules. This means that the industry will have to increase its total capital base by more than $20bn.

There are various other differences between the House and Senate versions, of which the most important is the former's proposal that the entire cost of the rescue be placed on the federal budget with a specific exemption from the Gramm-Rudman deficit reduction law. Both the administration and the Senate favoured putting about $50bn of the rescue off-budget through the semi-independent Resolution Funding Corporation. This is largely to preserve the Gramm-Rudman targets and a sufficient number of senators agree to block any change.

Among other features in the House version, but not the Senate one, are a ban on savings and loans investing insured deposits in high-yielding junk bonds. The Senate version would permit such investments up to 11 per cent of assets. There are also differences about the structure of the regulatory agency and over House proposals that the thrift industry must subsidise low and moderate-income housing.

These differences will be resolved in the conference next month so that the bill may become law by the August recess. While the administration is pleased that its first big piece of domestic legislation is likely to be enacted broadly as first proposed, with a tough new framework, there is less confidence about the eventual cost of the rescue. The administration's official estimate is $157bn over 10 years – half to be raised from taxpayers and the rest from fees on the industry and the sale of assets of failed thrifts. The General Accounting Office, which acts on behalf of Congress, has predicted, though, a total cost of $300bn over the next 30 years.

# Disaffected Argentine colonel ends truce

By Gary Mead in Buenos Aires

RELATIONS between Argentina's military and government have badly deteriorated with an announcement yesterday by Colonel Mohamed Ali Seineldin, a disaffected army leader, that an uneasy 6¼-month internal truce is dead.

During the first weekend of December, Col Seineldin staged a four-day rebellion (along with an estimated 800 elite troops), focussed on the military base of Villa Martelli on the outskirts of Buenos Aires. This ended when he surrendered and agreed to be put under arrest in the Patricios Regiment barracks in Palermo, near Buenos Aires city centre.

Following his surrender, reports leaked of a signed agreement between Col Seineldin and General Isidro Cáceres, the intermediary in the rumpus. The colonel and his supporters maintained that they had no interest in overthrowing civilian government.

However, they claimed that the general had signed a document which promised to fulfil a series of demands. These included an effective amnesty for 25 officers accused of human rights abuses during the 1976-83 military dictatorship, and the reinstatement without punishment of 432 army personnel awaiting military justice for their role in three army rebellions

Col Seineldin – who continues to enjoy considerable liberty of movement – has announced that the accord is now dead, since Gen Cáceres has failed to carry out his promises.

The general, head of the Second Army based at Rosario and seventh in the service's chain of command, has replied that there was no signed agreement last December, and has said that what he has described as the "Seineldin faction" must leave the army.

Seineldin: Disputations

# Group of 77 gathers to call for debt reduction

DIGNITARIES from dozens of governments gathered in Venezuela yesterday to celebrate the 25th anniversary of the Group of 77 and call for reduction of Third World debt, AP reports from Caracas.

President Carlos Andrés Pérez was to open the three-day gathering of delegations from all 127 member countries in the non-aligned movement.

The Group of 77 was founded in 1964 at the first UN Conference on Trade and Development, as a forum for developing countries to push for changes in the international economy.

The group has grown from 77 to 127 members. It includes Brazil, India and most of the Latin American and African states.

The first priority of the Caracas meeting will be a call for reducing the Third World's estimated $1,300bn foreign debt, according to an initial working document drawn up by the group at its headquarters at the UN in New York.

In position papers to be issued this week, the delegations will call for a renewed campaign for better economic conditions in the light of the increasing impoverishment of the developing world and the growing integration of the developed economies, increased economic co-operation among developing countries and a reaffirmation of the group's original charter.

The Group of 77 also will devote a large portion of its meeting to the environment. A spokesman said: "Poverty is the greatest pollutant."

# Bureaucratic mischief embarrasses envoys

By Lionel Barber in Washington

EVERY now and again, those much-abused bureaucrats at the US State Department strike back.

This week, at a hearing of the Senate Foreign Relations Committee, Senator Paul Sarbanes of Maryland pulled out copies of the resumé forms for Mr Joseph Zappala, a Florida land developer and nominee for the job of ambassador to Spain, and Mr Melvin F. Sembler, another Florida businessmen who has been nominated as envoy to Australia.

Turning to a question dealing with qualifications, Mr Sarbanes read out the respective answers prepared by the State Department:

"I have been known as a coalition builder, able to organise my colleagues and peers to action in support of worthy civic, charitable and political causes," said Mr Sembler, who contributed $127,000 to the Republican party last year.

"I am known as a coalition builder. I am able to organise my colleagues and peers to action in suport of worthwhile civic, charitable and political causes," said Mr Zappala, who contributed $126,000 to the Grand Old Party.

Mr Sarbanes said he was fed up with the "bidding war" for ambassadorial nominations and put both nominations on hold, as well as that of Ms Della Newman, a Seattle real estate developer who chaired Mr George Bush's presidential election campaign in Washington state.

Mr Bush need not despair greatly. His controversial choice for South Korea – Mr Donald Gregg, former CIA officer who was involved in the Iran-Contra scandal – has survived a grilling by the committee and is expected to be confirmed by the full Senate.

# Old Glory is for burning

THE US Supreme Court yesterday limited the power of states to outlaw the desecration or destruction of the national flag, AP reports from Washington.

The justices, voting 5-4, threw out the conviction of a protester sentenced to a year in jail and fined $2,000 for burning the flag in Texas.

The court said this act, at a demonstration during the 1984 Republican Convention, was an expression protected by the Constitution's guarantee of freedom of speech.

Justice William Brennan wrote in the majority opinion: "If there is a bedrock principle underlying the First Amendment, it is that the government may not prohibit the expression of an idea simply because society finds the idea itself offensive or disagreeable. We do not consecrate the flag by punishing its desecration, for in doing so we dilute the freedom that this cherished emblem represents."

# Debt dims business prospects in LDCs

## Peter Riddell examines an IFC report

PROSPECTS for business remain bright in the newly industrialised countries of eastern Asia, though likely to be less strong in many middle-income countries of Latin America, according to an analysis of scope for the private sector in developing countries, published today by the International Finance Corporation.

This affiliate of the World Bank, concerned with encouraging the private sector in developing countries, expects overall growth of output to slow slightly this year in all 90 such countries to 4.5 per cent, compared with 5.1 per cent in 1988. Growth of 3.7 to 4.1 per cent is expected in 1990.

There is a sharp contrast between the forecast continuation of high (though slightly slower growth) in the newly industrialised economies, mainly of eastern Asia, and the low level of expansion in the highly indebted countries, particularly of Latin America.

The report notes that prospects are bright in countries in the former group which have invested heavily, diversified their manufacturing sectors and increased their export shares. By contrast, "the debt crisis is stifling investment and private business development in many middle-income countries."

Overall, the IFC argues that, while short-term business prospects for most developing countries should continue quite good, conditions will be somewhat more difficult during the next 18 months than in 1988. This is because of a likely increase in protectionism and a stabilisation of commodity prices.

The report highlights the problems caused by scarcity of funds for financing investments and the effects on profitability of sudden movements in exchange rates. Moreover, businesses in developing countries need more funds per unit of machinery and equipment than those in industrialised countries, while they rely less on retained earnings and more on bank credits because of rapid growth and price controls.

As for the prospects of individual sectors, the report concludes that most developing countries are too small to support complete automobile production, but many can find opportunities in production and export of components and sub-assemblies.

The IFC notes the comparative advantage of many developing countries in labour-intensive manufactured exports, such as textiles, garments, footwear, leather products, wood products, furniture, metal fabrications and electrical apparatus.

*Discussion Paper Number 8: Prospects for the Business Sector in Developing Countries; International Finance Corporation, 181 H Street NW, Washington DC, 20433.*

**Economic Outlook for Developing Countries Growth of Real GDP (%)**

| | 1988 | 1989 | 1990 |
|---|---|---|---|
| Total (90 countries) | 5.1 | 4.5 | 3.7 - 4.1 |
| Newly Industrialised Countries | 8.3 | 7.2 | 5.7 |
| Highly Indebted Countries | 1.8 | 1.8 | 1.8 - 3.2 |
| Sub-Saharan Africa | 1.1 | 2.2 | 3.4 |

Source: International Finance Corporation

**OVERSEAS NEWS**

# De Klerk looks forward to UK talks

By Michael Holman in London and David Marsh in Bonn

MR F W de Klerk, leader of South Africa's ruling National Party, yesterday opened his four-nation European tour, saying he was looking forward to "open discussions" with Mrs Margaret Thatcher tomorrow.

Speaking to reporters on arrival in London, en route to West Germany where he is due to arrive today, Mr de Klerk would not be drawn on the part Britain's Prime Minister could play in South Africa.

"I don't want to comment on her specific role. She has always taken a principled stand from her point of view and we don't want to misuse her in any sense of the word whatsoever," he said.

"We will have an open discussion and I will put South Africa's case. It wouldn't be right for me to pre-empt the discussions taking place. The state of relations between Britain and South Africa has always been good and we hope it will remain so and, obviously, we hope it will improve."

Mr de Klerk's visit to West Germany is seen by Bonn as an opportunity to assess prospects for the revival of political reform in South Africa – a process which stalled under outgoing South African president, Mr P W Botha. The visit is important in the light of West Germany's traditional close ties to South Africa and its recent displacement of Japan as Pretoria's principal trading partner.

A Bonn Foreign Ministry spokesman said that Mr Hans-Dietrich Genscher, the Foreign Minister, would ask Mr de Klerk to spell out how he intends to phase out apartheid. Mr de Klerk, who was elected leader of the National Party in February, is almost certain to take over as president in October. The spokesman rejected the idea that a new "chapter" was about to open between Bonn and Pretoria. Mr de Klerk will also see Chancellor Helmut Kohl.

In spite of sporadic political protests about the South African regime, both from the Social Democratic Party and parts of Mr Genscher's Free Democrats, trade has been booming. West German exports to South Africa rose 29 per cent last year to DM5.9bn (£1.9bn). Imports grew 35 per cent to DM3bn.

# Peking weekly acknowledges regime's unpopularity

By Steven Butler in Peking

OVER 1m people demonstrated for democracy, surrounding government offices and paralysing the city, Beijing Review, the Chinese government-controlled English language weekly, has admitted in a detailed chronicle of the events leading to the imposition of martial law in Peking.

Although the long article is meant to justify the government's decision to bring in the army to restore order, and to defend government behaviour throughout, it also provides graphic evidence about the deep unpopularity of the government. It shows the turmoil and opposition to the government was even more serious than that depicted in many Western accounts of the events.

The article paints a picture of nationwide insurrection in which the government progressively lost control. It said 200,000 students had travelled by train to Peking from the provinces, without buying tickets or paying for meals.

It did not explain why they were not stopped by train crews, all of which include police.

The government lays blame for these developments on a minority of student leaders, who are said to have used deception to manipulate the patriotic sentiments of the majority of students in order to overthrow the Communist Party and the socialist system.

According to the article, "For more than a month, at each stage of the turmoil, every action, slogan and demand was carefully planned and arranged."

Virtually all accounts in the Western press have depicted the demonstrations as largely spontaneous.

According to the account, a small group of leaders, backed by anti-government campaigners in the US, managed to spread vicious rumours about the government that stirred up opposition.

The article does show that the government is at least highly sensitive to the criticism to which it has been subjected. It argues defensively that party leaders continue to embrace the goals of the students to end corruption and improve democracy.

It also tries to argue that the government made a sincere effort to engage in dialogue with the students, but that the students made unreasonable demands and put the government in an embarrassing position.

If true, it none the less indicates an incredible degree of political ineptitude and naivete.

The account details a breakdown of state security, in which minutes of meetings of the politburo standing committee were known on campuses within hours of the conclusion of a meeting.

● Chinese authorities rushed a paperback history of the pro-democracy movement to bookshops yesterday, Reuter reports.

Hundreds of copies of the slim, pale yellow volume, entitled *The Flag Must Be Bright To Go Against The Turmoil*, were delivered to stores in central Peking.

The book covers events up to and including Li Peng's decision on May 20 to impose martial law on the capital. A second volume, this time with pictures, is expected shortly to describe what motivated the leadership to send troops with tanks on June 4 to clear Tiananmen Square of unarmed protesters.

Hong Kong: Citizenship and Emigration, Page 6

# Japan caught between awe and contempt for China

## The West is pressing Tokyo to be tougher on Peking, Stefan Wagstyl and Robert Thomson report

A FEW days after the tanks rolled in to crush the democracy movement in Peking, Chinese journalists were dispatched to a Sino-Japanese television factory in the capital. Xinhua, the official news agency, later ran a reassuring story quoting a Japanese manager as saying that production had continued despite the chaos outside.

Embarrassed by several such incidents and by the unseemly rush of businessmen back to Peking, the Japanese government has toughened its stance against China, issuing almost daily criticism of the brutality and, this week, suspending indefinitely a $5.5bn soft loan package that was to begin next April. It is also now unlikely that Emperor Akihito will go ahead with a planned visit to China next year.

Initially, Japanese leaders had argued that the "special relationship" between the two countries warranted a more muted response than that of outraged Western nations, which responded with immediate tough criticism and a range of sanctions against China.

But growing Western criticism has persuaded Japan to change its position. With the Paris summit of Western leaders to be held next month, the Japanese government was increasingly worried about being accused of being less concerned about human rights than other countries.

On Saturday, Mr Hiroshi Mitsuzuka, the Foreign Minister, condemned China for actions "not compatible with the basic values of our country". Interestingly, he qualified the statement by saying that the matter is "China's internal affair", which is the same terminology used by Peking in criticising foreign condemnation of its actions. Then, Mr Sosuke Uno, the Prime Minister, said that Japan would offer China "neighbourly" advice on ways of avoiding international isolation.

*The ambiguities in these* comments highlight the difficulty Japan has had in coming to terms with the crisis in China. "Japan is caught between China and the West," says one Western diplomat.

Japanese officials have argued that the geographical and historical links between the two countries put Tokyo in a position very different from that of outraged western nations. Bearing in mind the country's wartime brutality in China, Japan has traditionally been reluctant to lecture China leaders on human rights issues, but another Western diplomat said that, in this case, the magnitude of the events in China made that argument seem like a feeble excuse.

The diplomat said the turnaround in China's reputation among ordinary Japanese will not be as dramatic as that in most western countries, where Peking leaders had generally been seen as the kindly communists. Japanese often are either in awe of China's depth of culture and history or have a virtual contempt for its present backward state, and these views are embedded deeper than the more recently acquired western perceptions of the emerging China.

Also, Japanese often think that China is such a large and complex country that it will descend into chaos without strong central government. Japanese businessmen in China have said that they go expecting problems whereas Westerners go expecting profit.

Nevertheless, many Japanese were angered by the initial soft response of their government. A Tokyo property developer was "disappointed" by the gentle criticism, and thought that it had brought "shame upon the Japanese". A magazine editor said that the response had "made us seem like a people obsessed only by economic things" and thought the government had a "moral obligation" to take tougher action.

Mr Takashi Ishihara, chairman of Nissan Motors, drew wide public praise for a forthright condemnation of the Chinese leadership, whose crackdown he described as a "threat against humanity".

However, public opinion on foreign policy is rarely as strongly expressed in Japan as in the West. While some young Japanese have supported demonstrations held by Chinese students in Tokyo, there has been no organised attempt to influence government opinion. It is Western criticism which has moved the Japanese government.

So to avoid angering the West, Japan will have to pursue its economic interests in China with considerably more caution than it would like to. This is likely to make Japanese businessmen less enthusiastic than they were even a few days ago about re-establishing contact with China.

Nevertheless, the Japanese Ministry for International Trade and Industry estimates that some 40 per cent of the employees of Japanese trading companies, the advance guard of the Japanese economy, are already back in Peking. For manufacturers the proportion is lower – at 20 per cent.

The result is that even though Japanese trade and investment will probably be curtailed, Japan is likely to keep its place as Peking's second-largest trade partner, after Hong Kong. As for investment it may even advance from third to second place, overtaking the US. These economic links seem certain to ensure that despite the suspension of work on the economic aid package, Japan's interest in keeping close to China will survive the crisis.

*So although Japan has edged* towards the Western position on China in the last few days, the legacy of past contacts and the potential of present links will keep it stretched uncomfortably in trying to placate both sides.

Cyclists pass a column of troops in central Peking yesterday

**China International Trust and Investment Corporation (Citic), the Peking-backed organisation with substantial interests in Hong Kong, is likely to cut its investments in the local property market, after the turmoil in China shattered confidence and brought property transactions to a standstill, Michael Murray writes from Hong Kong.**

**Citic is the most aggressive of the many Peking-based companies in Hong Kong, and since the start of the year has boosted its presence in the local property market, taking equity stakes in several residential developments.**

**Citic is a big investor in Hong Kong infrastructure projects, and has equity stakes in the second cross-harbour tunnel and a consortium bidding to build and operate a cable television network in the colony. It also owns 12.5 per cent of Cathay Pacific airline.**

# Hawke seeks open EC trading system

By Robert Mauthner, Diplomatic Correspondent

MR BOB HAWKE, the Australian Prime Minister, last night appealed to Britain and its European Community partners to maintain an open and liberal trading system after the completion of their internal market in 1992.

It was "the ultimate paradox of our times" that, at the very time the centralised command economies are moving towards greater competitiveness and openness, the market economies continued to close up in key areas of trade, he said. Mr Hawke was addressing a banquet in his honour at the Mansion House in London.

The powerful message of efficiency and competition given by the EC was blurred by its equivocation on the issue of protectionism, the Australian Prime Minister said. Mr Hawke made it clear that Australia was not seeking a return to pre-Common Market arrangements when Australian agricultural products had preferred access to British markets.

"All we seek is fair access and the ability to compete on an equal basis."

Before talks with Mrs Margaret Thatcher, the British Prime Minister, earlier in the day, Mr Hawke said the object of his visit was to inject a new vigour into Australian-UK relationships.

Both Mr Hawke and Mrs Thatcher strongly condemned events in China, particularly the execution of three men involved in the burning of a train in Shanghai during the recent disturbances. It was an action "out of all relevance to what they were involved in," Mr Hawke said.

Referring to the demand of 3.25m British passport-holders in Hong Kong that they should have the right of entry into the UK after the colony is handed back to China in 1997, Mr Hawke expressed sympathy for the British government's predicament. The UK obviously would have "enormous difficulties" in accommodating this number of people, he told a news conference.

Referring to the plight of Vietnamese refugees, Mr Hawke said Australia had taken in more of these refugees per capita of its population than any other country in the world. Since 1975, some 180,000 Vietnamese refugees had come to Australia.

On the Vietnamese boat-people, of whom there are more than 50,000 in Hong Kong, Mr Hawke said Australia would do all it could to help find a solution.

Mr Hawke and Mrs Thatcher continued to disagree on the problem of sanctions against South Africa, but the Australian Prime Minister did not think it would dominate next autumn's Commonwealth Heads of Government meeting in Kuala Lumpur as it had done the last two conferences.

He remained to be convinced of Mrs Thatcher's view that the new leadership in South Africa would be more responsive to the processes of international persuasion. "What we need to see is action, not words," he said.

# Closure threat overshadows Daewoo talks

By Maggie Ford in Seoul

LAST-DITCH efforts by management and union leaders were under way yesterday at the closure-threatened shipyard owned by South Korea's Daewoo group.

The yard, which has debts of $1.8bn (£1.2bn), is the subject of a bailout by the South Korean government, which requires the company to raise Won 400bn (£390m) by selling subsidiaries in return for debt rescheduling and a further cash injection.

Under pressure from management and the Ministry of Trade and Industry, the union has reduced its pay rise demand from Won 148,000 to Won 95,000 a month and talks seem centred on when it should be paid.

Management has refused to agree any pay rise this year because of the bail-out. Daewoo workers are paid less than at other shipbuilding companies but have been forced to yield in the face of public concern over the broader economy.

Dr Han Seung Soo, Minister of Trade and Industry, yesterday warned that the Government could not keep the rescue plan open indefinitely.

# Nimeiri is 'willing to go back' to Sudan

By Tony Walker in Cairo

MR Jaafar Nimeiri's Elba is a dusty and heavily guarded villa in a Cairo suburb. The deposed Sudanese president has lived in the house, which does not even boast an international phone line, since he was ousted in a 1985 coup.

The somnolent atmosphere of the Nimeiri household this week hardly suggested that the former president was involved in an attempted political comeback. But Mr Nimeiri, heartened by reports from Khartoum that protesters have been chanting his name, has begun talking to almost anyone who will listen about returning from exile.

"If people want me to go back I will any time," he said. He revealed that he was frequently in touch with Sudanese inside and outside the country, although he denied involvement in last weekend's failed coup attempt.

Whatever Mr Nimeiri's faded political relevance these days, there is no doubt that his denunciations of the government of Mr Sadeq al-Mahdi will have deepened the crisis in Egyptian-Sudanese relations.

Egypt's apparent willingness to allow Mr Nimeiri to "go public" after strongly discouraging him from speaking to the press in the past is a sign of increasing frustration in Cairo with the regime in Khartoum.

Mr al-Mahdi this week bitterly attacked Mr Nimeiri whom he accused of being Egypt's "catspaw." In a statement to parliament on the attempted coup, he said, "There were some fools ... who had revolted to the extent of co-operating with Nimeiri ... to destroy Sudan and bring down democracy while serving the interests of others."

Mr Nimeiri described the 53-year-old Mr al-Mahdi, who came to power in 1986 elections, as a "madman." He said the Sudanese leader was accusing "Nimeiri and Egypt" of involvement in plots to get rid of his government in an effort to divert attention from Sudan's domestic problems.

Sudan, with a population of 23m, is gripped by an economic crisis, shortages of many foodstuffs, a big refugee problem and a rebellion in the south. Mr al-Mahdi has come under increasing pressure to make concessions to rebels who are demanding limited autonomy in southern Sudan.

Mr Nimeiri, after his years in exile, exhibits no remorse about the mistakes of his 16-year rule which coincided with a sharply deteriorating economy and the outbreak of hostilities in the south.

"The economy was bad," he said, "but this was not because I'm a bad man or my ministers were bad, but because we did not have money."

He said oil price increases in the early 1980s had contributed to Sudan's problems. He also refused to concede that his decision to introduce Islamic Sharia law in 1983, with its floggings and amputations, had exacerbated internal divisions between the predominantly Moslem north and the Christian or animist south. He accused Western critics of a "crusade against Islam."

Mr Nimeiri, dressed traditionally in flowing robes and a large white turban, said he passed his time in exile by reading, and writing his diaries. He planned to publish an account of the "Nimeiri years."

He admitted, however, to moments of frustration. "For a man like Nimeiri, it is very frustrating because I'm not used to sitting in one place for a long time," he observed. "I have become very fat, and I have started to be an old man."

Nimeiri: heartened by protests

**Moslem militants marched through Khartoum yesterday protesting at food shortages and peace talks with southern rebels, Reuter reports. The action, by supporters of the opposition National Islamic Front, followed protests against food and transport shortages after Prime Minister Sadeq al-Mahdi's government announced on Sunday that it had foiled a coup plot. On Monday, demonstrators stoned shops and chanted the name of former president Jaafar Nimeiri, who the government said was behind the plot.**

# African leaders meet to discuss Angola peace plan

A MEETING in Zaire today of more than a dozen African heads of state looks set to launch a peace plan for Angola that will reconcile the left-wing government and the rebel movement Unita, diplomats in Luanda said, Reuter reports.

The Western diplomats said President Mobutu Sese Seko of Zaire had been the driving force in arranging the peace conference at his jungle palace at Gbadolite in northern Zaire.

Unita (the National Union for the Total Independence of Angola), the US-backed rebel movement which has fought to topple the left-wing government since Angola's independence from Portugal in 1975, said it was also sending a delegation.

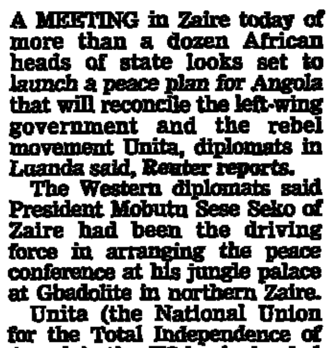
The diplomats said the peace initiative appeared to have two main ingredients:

● A plan for Mr Jonas Savimbi, Unita's charismatic but controversial leader, to remain outside Angola for up to two years while the two sides discuss and implement reconciliation.

● A process of integration of members of Unita into the political system which will maintain the existing constitution and the one-party rule of the Popular Movement for the Liberation of Angola (MPLA).

The heads of state of Angola, Zaire, Zambia, Zimbabwe, Congo, Gabon and Mozambique, who attended a peace conference in Luanda last month, are all expected in Gbadolite. They are likely to be joined by leaders from other black African nations, such as Ivory Coast, Mali, Niger, Nigeria, Tanzania and Botswana.

*Diplomats noted that both* the Angolan Government and Unita appeared to have softened their positions.



Mobutu: driving force

# Burmese troops shoot protestors killing one

TROOPS fired on a demonstration by about 500 people in the Burmese capital yesterday, killing one protester, Rangoon radio said, Reuter reports from Bangkok.

Opposition leader Aung San Suu Kyi was detained after the incident but released an hour later, the state radio said.

Three students arrested with her were still in police custody.

It was the first reported fatal shooting by security forces in Rangoon since the army took power in a bloody crackdown on mass democracy demonstrations last September, when diplomats said at least 1,000 protesters were killed.

The radio said Aung San Suu Kyi, 44-year-old daughter of assassinated independence hero Aung San, was attending a wreath-laying ceremony in a northern Rangoon suburb for students killed during protests a year ago.

It said when officials tried to detain her, 100 supporters tried to snatch her back. Security forces opened fire, killing one person and wounding another.

Earlier in the day, authorities stopped students who tried to occupy Rangoon University campus, scene of some of the original clashes last year.

All schools and universities were closed at the height of the disturbances last summer. Primary schools reopened only on Monday as the military government said order was being gradually restored.

Aung San Suu Kyi, who emerged as the most charismatic leader of a mass popular uprising against repressive socialist rule, is the secretary of the National League for Democracy (NLD), the biggest of more than 200 opposition parties.

# Yuppies supplant maharajas at Mussoorie hill station

## Memories of the raj are fading as the middle classes drive into town in their Marutis, David Housego reports

STURDY Himalayan hillsmen still draw you along the Mall in a rickshaw. In this high summer season, the vast ballroom of the Savoy Hotel – now a monument of *fast-crumbling splendour* – is still packed for the annual dance at which the prettiest girl on the floor is crowned Miss Mussoorie.

But these landmarks of nostalgia apart, the one-time British rulers of India, and the wealthy maharajas who used to flock to this pine-clad hill station to escape the heat of *the plains, would be hard put* to recognise it today.

"Old" Mussoorie is being swallowed up by what is in economic terms possibly the most important social phenomenon in India today – the explosive *growth of an affluent* middle class eager to demonstrate their money and power. "I call it the Maruti Revolution," says Mr Ganesh Saili, teacher, writer and, as resident of Mussoorie, regretful observer of the changes taking place.

The Maruti is the small Japanese-styled car built in India *that has become a symbol of* "yuppie" wealth. Marutis, driven at breakneck speeds, radios blaring, dodging the heavy lorries and bullock carts on the road, can reach Mussoorie from Delhi at a weekend in under five hours.

Along the Mall, fast-food restaurants, souvenir shops, and expensive new hotels in part *block the breathtaking* views of the white Himalayan crests on one side and the Dehra Dun plains on the other. The new Honeymoon Inn, painted in bright purple, rising above the Mall at mid-point, fills up at *the weekend with newly-mar*ried and young couples spending two or three nights. It is one of several new hotels, each charging what in India is a high Rs 500-600 (£20-£24) a night, which have sprung up recently.


Prices for houses and flats *have skyrocketed. On the Mall,* a three-bedroom flat with a south-facing view in a new apartment block, would today cost Rs 800,000, as against Rs 40,000 five years ago, according to Mr V P Bhargava, one of the longest-established estate agents in Mussoorie. He says buyers from Delhi, Calcutta and Bombay have got their *money back after 18 months.*

The traffic jams in what was for long after independence an almost abandoned mountain resort, the mushrooming of new hotels and booming house prices – all reflect the new wealth emerging in India's big cities.

Much of the money going into real estate purchases is *the fruit of tax evasion* – "black money". Mr Bhargava says up to 40 per cent of the purchase price on a new house is paid "under the counter".

Older residents of Mussoorie like Mrs "Maisie" Gantzer, who *founded the Save Mussoorie* Society six years ago, are aghast at what has happened. "We woke up too late," she says. "We did not realise that anybody could do that to us."

The Save Mussoorie Society is now fighting a rearguard action to prevent further damage to the landscape. But builders, property developers and *hotel owners get round the reg*ulations by paying off officials and local politicians.

Helter-skelter expansion has left the town in summer with worsening traffic congestion and shortages of water and electricity. The Savoy promises its guests hot and cold running *water, but of late* there has been hot water for two hours a day – if that.

The one big success of the Save Mussoorie movement has been to end the lime quarrying that was steadily stripping the *mountainside of its top soil* and its trees. Mussoorie sits on one of the richest lime deposits in northern India.

More surprising is that the prestigious private schools that have established themselves at Mussoorie for Indian parents wanting to give their children an English-style boarding education have not used their *leverage to greater effect to* save the environment.

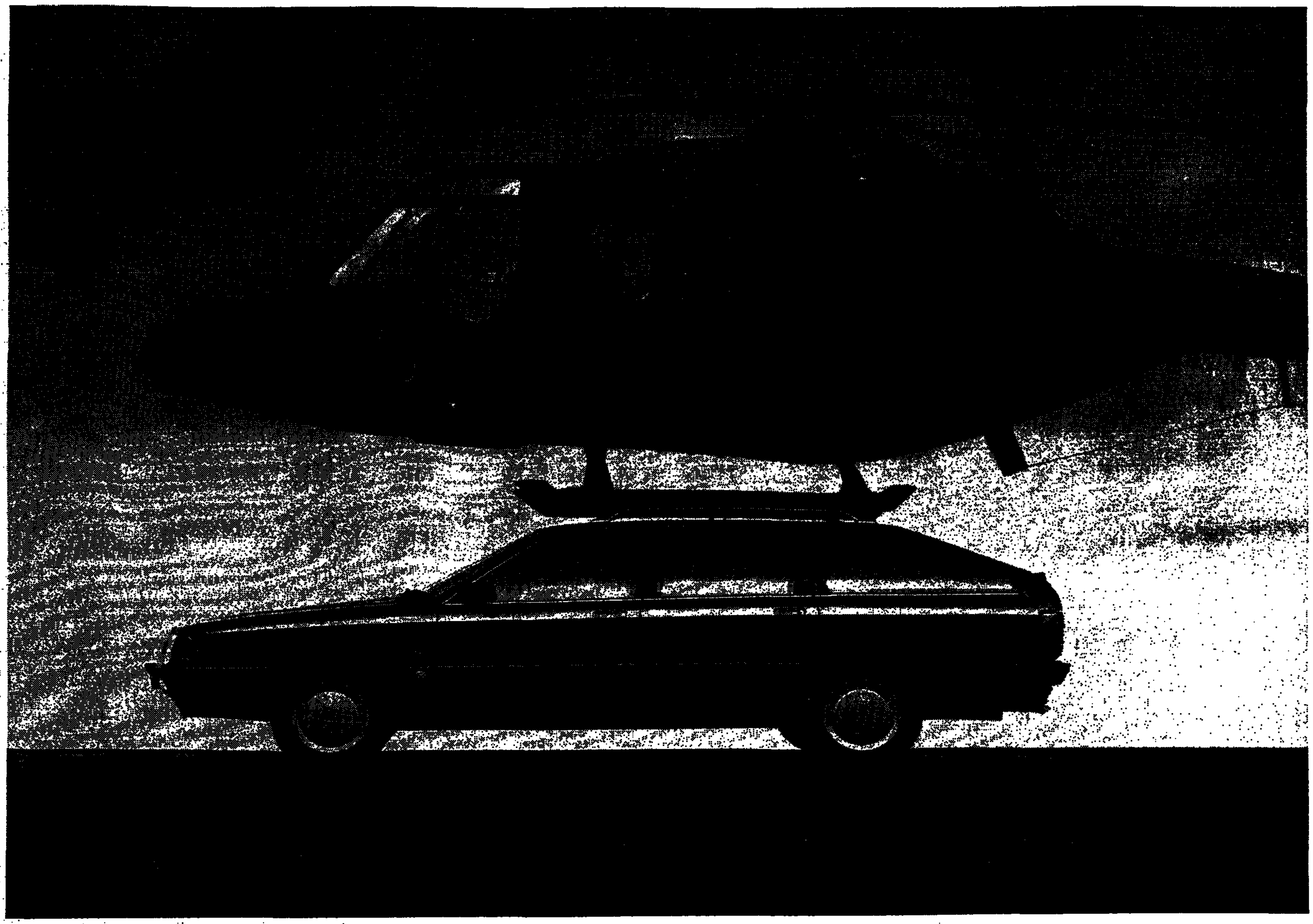
Mussoorie has 17 big independent schools, giving it the largest concentration of education in India. On the plains below is the Doone school, where Prime Minister Rajiv Gandhi boarded, along with many other privileged Indians prominent today. But the *schools* are not even represented on the new city board intended to provide the town with more self-government.

Among the Himalayan hill stations established by the British, each has its special *character. Simla was for the* viceroy and the imperial administration. Naina Tal was the summer home of the Uttar Pradesh government. Mussoorie was always more racy, bringing pleasure lovers, maharajas and the military on rest and recreation.

Mr Anand Jauhar, the owner, a man who himself has *much of the style of an* Edwardian dandy, wants to preserve the old-fashioned charm of the hotel. But renovations would cost a fortune. Virtually all the big Indian hotel groups have offered to buy it from him.

Apart from the Savoy, the other big landmark that has escaped the developers is the Landour cantonment. Climb up the narrow streets of Mussoorie and through the neighbouring Landour bazaar, and you emerge in a mountain-top world of pine forests, church spires, thickly flowering gardens and panoramic views.

*It is almost* a unique example of unspoilt British India. Because the army owns the land around, there is a good chance it will stay that way.



**HONG KONG: CITIZENSHIP AND EMIGRATION**

Financial Times writers examine Hong Kong people's search for alternative passports and havens

# The urge for insurance against the worst

The events of Tiananmen Square and the subsequent purges have sharpened fears in Hong Kong of what will happen when the colony reverts to Chinese control. Very few local people actually want to leave Hong Kong and live abroad, but a vast majority of the population does want insurance – ideally British passports which would enable them to continue living in Hong Kong.

Hong Kong's élite Chinese population will have no problems when the colony reverts to Chinese sovereignty in 1997. The tycoons with large foreign investments can quickly obtain rights of abode abroad – in Britain or elsewhere – if China upset Hong Kong's stability. The few thousand top public servants with senior or sensitive jobs have been secretly issued with personal code numbers giving them instant admission and domicile in the UK if a crisis strikes. Meanwhile, those involved have signed an official document saying they will continue to work in Hong Kong until 1997 or to retirement.

But it is not so easy for the vast mass of the 5.7m population. With an average annual income per capita of $9,600 (£6,233), the second highest in Asia after Japan, most people in the colony are rich enough to buy themselves an air ticket to Europe or the US. That sort of wealth, however, does not buy the passports and right of abode abroad which a rapidly increasing number of Hong Kong people believe they need.

British legislation since 1962 limits the right of abode in the UK. There are 3.24m Hong Kong Chinese who are British subjects because they were born in Hong Kong or are naturalised. They are eligible for British Dependent Territories Citizens (BDTC) passports – although only 1m of these have been issued. These are being turned, with China's agreement, into British National Overseas (BNO) travel documents in readiness for 1997.

Another 2.32m are immigrants from China who have not applied for naturalisation and have a Document of Identity for their first seven years in Hong Kong, after which they have a right of abode in the colony and qualify for a Certificate of Identity. In addition, there are about 11,500 Indians, Pakistanis, Eurasians and Portuguese who have similar BDTC/BNO passports to the 3.24m Chinese.

Those eligible for BDTC/BNO passports and Documents and Certificates of Identity have no right of abode in the UK. They also require visas for far more countries than those with full British passports.

The Chinese might find it more difficult to leave Hong Kong after 1997 and will not have the right to British consular protection because Chinese law says they are ethnic Chinese nationals. The Indians, Pakistanis and Eurasians do not qualify for any nationality, but their BNO passport give them rights of abode in Hong Kong and British consular protection.

**HONG KONG'S PEOPLE**

| | |
|---|---|
| Chinese (Eligible for British Dependent Territories Citizens passport) | 3.24m |
| Chinese (Hong Kong Document or Certificate of Identity holders) | 2.32m |
| Indians and Eurasians (Some BDTC and some Indian and other citizens) | 17,000-20,000 |
| Gweilos - white expatriates, mostly from US, UK, Canada, Australia) | approx 60,000 |
| Other expatriates: Thais | 12,000 |
| Malays | 11,000 |
| Japanese | 11,000 |
| Portuguese | 8,000 |
| Filipinos | 50,000 |
| Total population: | 5.73m |
| plus: Vietnamese boat people | 45,000-50,000 |

A few weeks ago, during a visit by the British Foreign Affairs Committee, the Hong Kong Government proposed that the right of abode should be given to the group of Indians, to civil servants, and to about 20 Hong Kong Chinese war widows. It also said that the time students spent studying in the UK should count towards the residence qualifying period for passports.

That was widely criticised as divisive and Hong Kong is now bringing pressure on the UK to give a right of abode to all the 3.24m eligible for BDTC/BNO passports, plus the Indians. It also wants the UK to encourage Commonwealth and other foreign countries to look after the 2.32m Hong Kong Chinese with Documents and Certificates of Identity.

If this does not happen there is likely to be a sharp increase in the brain drain. This has been taking about 45,000 people out of Hong Kong every year – the favourite destination being Canada, followed by Australia and the US.

In the past few weeks the numbers of people inquiring about emigration has rocketed. The Australian consulate sold a record 1,700 information packages on one day last week, compared with an average of 100 a day a month ago, while the Canadian commission is believed to have handed out over 6,000 preliminary assessment forms on one day.

Every employer has a story to tell about a sudden hardening of view among employees who had been putting off emigration decisions. Dame Lydia Dunn, a director of the Swire group, says that all 18 senior managers in their 30s working for a medium-sized Swire company took out application forms for Canada immediately after the Tiananmen Square massacre.

It will take some time for this rush to show up in the brain drain figures because it can often take two to three years from the time a person starts preliminary inquiries till the day of departure. The impact will also be limited by the admission quotas for different occupations in countries like Australia and Canada, and by these countries' abilities quickly to process applications.

Another factor will be how many second-line countries such as New Zealand, Jamaica and even Belize become popular destinations.

The Government is sticking to its earlier estimate that the 45,000 figure will drop to around 42,000 this year because of the time it takes for people to organise their departure. It then believes that instead of stabilising next year around 42,000-46,000, the total could rise to 50,000. Other experts put next year's figure at 60,000, probably rising higher later.

Large numbers might also attempt to live abroad illegally from the mid-1990s when people realise they will not be able to go legally before 1997. All this could do immense harm to Hong Kong's confidence and to the operations of its companies, which are having to import foreigners from the US, Europe, and South East Asia to fill vacancies. The impact would however be somewhat offset by an expected decline in economic activity following the China crisis.

However, not everyone wants to leave (and many would never get to the front of the receiving countries' long queues). In some cases husbands take their wife and children to Canada, leave them there and return to work in Hong Kong for part of the year. In Cantonese, such men are called "astronauts", and the family strains and infidelities that result from these prolonged separations are the subject of literally scores of locally-made films. A certain number return permanently, having obtained passports, but there is no reliable estimate of how many.

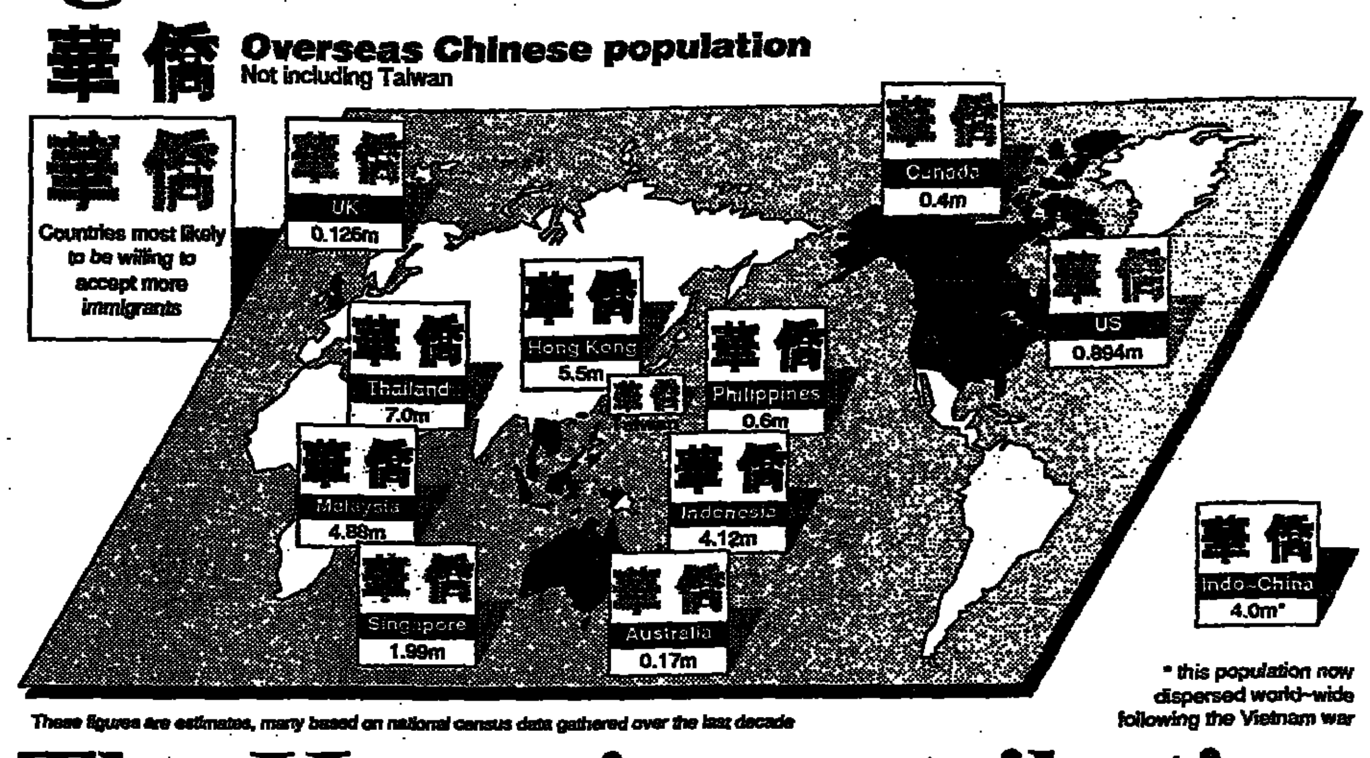
Most people do not want to go to the UK – they want a UK passport to give them consular protection and to allow them to escape from Hong Kong to a place where they can make fresh plans. They do not see the UK as a home for entrepreneurs and have far more affinity with other countries, especially Canada and the US.

The government estimates that the UK received only 9,257 (or 4.7 per cent) of the 197,887 Hong Kong people emigrating between 1981 and 1988. This was largely caused by the UK's immigration policies, but it shows that the Hong Kong Chinese have been building links elsewhere which would pull future migrants.

The people who are thinking of going vary from senior executives and professional people to secretaries and manual workers. But most of Hong Kong's modern population is very different from the farmers who sold their land for housing developments and moved to the UK to open Chinese take-away restaurants in earlier immigration waves. They are better educated and more business-oriented.

Hong Kong has become more middle class as it has moved away from manufacturing towards the service sector. Some 530,000 of the 2.8m labour force works in wholesale, retail and export-import trades, 240,000 in finance and business services, and 200,000 in restaurants and hotels, compared with 830,000 in manufacturing. Income is boosted by a lot of people at the bottom of the employment ladder having two or three jobs, investing and taking risks on the property and stock markets, and saving.

**John Elliott**




These figures are estimates, many based on national census data gathered over the last decade

* this population now dispersed world-wide following the Vietnam war

# The Huaquio contribution

"When you talk about the overseas Chinese, you talk about the miserable history of China," commented Professor Zhu Jieqin, head of the Institute of Overseas Chinese Studies at Canton's Jinan University. Over a century and a half, about 30m of them have fled persecution (as fresh thousands may be doing at this very moment), civil war, overcrowding and endemic poverty.

Wherever they have settled, they seem to have prospered, even though they have often been persecuted as pariahs in their adopted homes.

The community is almost four times the size of the Jewish diaspora. Around the Pacific, the "Huaqiao" (as the overseas Chinese call themselves) play a central role in international trade and investment. They are among the most highly educated in any community where they have settled, and play a prominent role in the corporate life of communities as far flung as Jakarta, Mauritius, Vancouver or California's Silicon Valley.

Contrary to the impression of most western observers, they are not a homogeneous body of people. They left China at different times, for different reasons, from different regions.

Cantonese from around the Pearl River delta near Hong Kong went to Melbourne, San Francisco and Vancouver in search of gold 100 years ago. Hokkien-speaking communities from Fujian province went to Singapore, Malaysia and Indonesia a little later as plantation workers. Chiu Chows from the far north-east of Guangdong tended to settle together in Thailand, Vietnam and Kampuchea.

As the British Government tussles with the dilemma of whether or not to offer sanctuary to Hong Kong's shell-shocked Chinese population, these Huaqiao communities – particularly in North America and Melbourne – can provide important insights into the impact a significant influx would have on the UK. Will immigrants steal jobs? Or drain resources from the welfare services? Or crowd schools? Or aggravate communal conflicts or criminal activity?

The first common complaint about the Huaqiao is that they don't mix. Colourful, humming Chinatowns are ubiquitous features of many large cities across the world, and stand as monuments to the continuing vibrancy of Chinese culture – some would say to its insularity and pride.

In Vancouver, the existence of a large immigrant community, swollen by new arrivals from Hong Kong averaging almost 5,000 a year, provides a valuable glimpse into the problems that could be generated for cities like London or Manchester if a major migration into the UK were to take place. All factual evidence has tended to explode myths of immigrant blight.

Professor Don DeVoretz, an economist at Vancouver's Simon Fraser University who has just completed a 10-year study of the economic impact of the city's "visible immigrants" recently told a conference of Canada's mayors: "Immigrants more than pay their own way. They are on average younger, speak a different language, or are inexperienced in the job market. But with the passage of time, immigrants in general have outperformed the resident group in terms of their raw earning power."

**Destinations of HK emigrants**

| | 1986 | 1987 | 1988 | 1989* |
|---|---|---|---|---|
| Canada | 5,615 | 16,254 | 24,588 | 16,400 |
| US | 7,742 | 7,411 | 11,777 | 12,600 |
| Australia | 4,441 | 5,206 | 7,846 | 10,900 |
| Others | 1,191 | 1,125 | 1,606 | 1,900 |
| Total | 18,989 | 29,998 | 45,817 | 42,000 |

* Estimated figures; rounded off to nearest 100

In Vancouver, where an estimated 15 per cent of the urban population is ethnically Chinese, Mayor Gordon Campbell notes: "When people say the Chinese stick together, I like to ask them what they would do if they went to a cocktail party where there was only one white face amidst a sea of black faces. Surely it should be no surprise that they seek out the support of their own community when they first arrive."

In countries like Indonesia and Thailand, where Chinese immigrants arrived more than a century ago, they are today often indistinguishable from the original population. Chinese have intermarried, taken local names (partly to protect themselves from persecution) and are widely dispersed across the country.

In San Francisco, while a large Chinatown provides a garrulous focus for the long-standing Cantonese community, more recent migrants – like the Fujianese from Taiwan – have dispersed across the city, and beyond its boundaries through California. Today, many electronics companies in Silicon Valley are headed by "ABCs" – American Born Chinese.

Contrary to myth, the Chinese have blended into their adopted homes. The process simply takes time.

His researches have thrown up startling findings:

● There is no period since 1971 in which immigrants have not contributed more in taxes than they have used in services – even after extensive acculturation and language programmes are costed in. The average net contribution from every immigrant family is C$ 1,100 (£594) annually. "Immigrants are a good investment, at least from the federal and provincial treasuries' point of view," he notes.

● Immigrants have been major inward investors to Canada. In 1987 and 1988 funds invested from Asia (most from Hong Kong) to the Vancouver area amounted to almost C$ 2.7bn. There is clear evidence that this investment played a large part in lifting Vancouver out of deep recession that dogged it through the early 1980s.

● Immigrants – and not just Chinese – are significantly better educated than native Vancouverites.

Since 1971, about 28 per cent of all immigrants had received two or more years of post-secondary education – most of it provided in their country of origin – compared with 17 per cent for the resident-born population. Prof DeVoretz estimates that Canada saved C$ 4.5bn by not having to train these immigrants.

● The average net worth of an immigrant family is C$ 180,000 in 1980 dollars, compared with C$ 150,000 among native-born families.

Even recent flare-ups in Vancouver blaming rich Hong Kong immigrants for fuelling a steep increase in house prices appear ill-founded. The primary impetus has come from migration by Canadians from neighbouring Ontario, according to Vancouver municipal officials.

Mayor Gordon Campbell blames problems on superficial, sensational media attention and on prejudice fuelled by anecdotal information. He concedes that tensions have arisen as a result of the recent high rate of immigration (three times as many immigrants arrived from Hong Kong in 1988 as arrived in 1987). "When you have that kind of jump," he says, "you are bound to have some discomfort. Tensions are serious, because people tend to pick out one group at the expense of others."

However, instead of using these tensions as an excuse for restricting future immigration, Mayor Campbell and the Vancouver Administration have invested substantial funds in improving acculturation and language training. They have launched a "task force" to tackle the barriers that result from racial prejudices, in the community, in industry, in government and in areas like the police force.

**David Dodwell**

# Issues for the UK

At the rate of three jumbo jet loads of people a day, said Mr Allen Lee of the Hong Kong legislative council this week, it would take eight years for everyone in the colony to emigrate to Britain.

Mr Lee was using this graphic illustration to hammer home the point that Hong Kong is not full of people bursting with the desire to be allowed into Britain, and that any UK fears of mass immigration from the colony are exaggerated. Current demands for full British passports and the right of abode in Europe for more than 3.2m residents of Hong Kong who are entitled to British Dependent Territories Overseas passports should, on the basis of this argument, be seen as an insurance policy rather than a travel plan.

The jumbo jet image can, however, be used to illustrate another perspective – the sheer scale of the pressures and planning which would be involved if claims on such an insurance policy were made.

British governments have imposed increasingly strict immigration controls on citizens of the Commonwealth and remaining colonies since the early 1960s. Last year, only 49,000 people from throughout the world were accepted for settlement in the UK. Even if, as some advocates of a more liberal entry policy towards Hong Kong have suggested, other immigration were curtailed in favour of applicants from the colony it would have little impact on the potential scale of demand.

Immigration to Britain from the black and brown New Commonwealth reached its peak in 1972, when there were 68,000 arrivals. Since then, immigration has been in decline in both Britain and elsewhere in western Europe, with most growth in ethnic minority communities coming from births.

Governments throughout Europe have tightened up their procedures for receiving refugees and asylum seekers and are taking a tougher line on illegal immigration. A large-scale Hong Kong resettlement operation would put into reverse a series of trends towards more restrictive immigration policies in Europe.

While the British Government says it is prepared to look at whether existing immigration arrangements from Hong Kong could be made more flexible, it has ruled out the possibility of all or most of the 3.2m passport holders being allowed to come to Britain.

Such a policy excludes using the time remaining until 1997 for phased resettlement. So a future reversal of policy – caused perhaps by a new crisis at the time of the expiry of the Hong Kong lease – would leave Britain and its Community partners unprepared.

Even though the newcomers might eventually make an enriching economic and social contribution in Europe, their unplanned arrival would inevitably generate great pressures on housing and employment and on education, health and other services. This realisation is high among factors generating considerable political agreement that there can be no open-ended promises to Hong Kong on the right of passport holders to settle in Britain, and hence elsewhere in the EC.

The most dramatic alternative to either maintaining existing immigration controls or allowing people from Hong Kong to enter Europe in an unplanned way has come from the Adam Smith Institute, a free-market think tank.

**A crisis at the time of the expiry of the lease might catch Britain and its partners unprepared**

The institute this week proposed the establishment of a new Hong Kong on the most suitable 150-200 sq mile site that might be found. While Douglas Mason, author of the institute's report, accepts that sparsely populated parts of northern Australia, western Mexico or west Africa have their attractions, he recognises that there is doubt whether other countries would be willing to help solve a British problem.

In any case, he says, the people of Hong Kong look to Britain to provide an alternative to Chinese rule, and there are powerful reasons why the new colony should be situated in Britain.

Scots, notes Mason, were to the fore in developing Hong Kong and still play a prominent part in many of its major businesses. Scotland, with a superior record of racial harmony and its extensive, sparsely populated Atlantic seaboard, could easily provide a suitable home for those seeking refuge from the uncertainties of life under Communist rule. "Indeed, amongst the miles upon miles of rugged coastline a colony the size of Hong Kong would scarcely be noticed."

Critics of the idea say that – quite apart from the practicalities – Hong Kong's success depends upon its geographical location. But Mason is enthusiastic.

If around 1m people from Hong Kong decided to settle in the new Scottish colony, this would require some 300,000 houses and associated industrial, commercial and retail developments. Although creating such a community between now and 1997 might seem daunting, Mason points out that it compares with Hong Kong's own record of building 60,000 houses a year. He believes more than half the housing finance would come from individual families, while the project would offer major economic opportunities for Britain.

In the absence of such a dramatic solution, families from Hong Kong admitted to Britain as a result of a change of policy would risk finding themselves, in spite of their fabled enterprise and economic success, facing the same sad plight as previous refugees.

Estimates suggest that between 50 and 80 per cent of refugees who have arrived in Britain during the past 10 years are unemployed, while many others are employed below their abilities because of problems over international recognition of professional and other qualifications. Consequent lack of adequate income leads to many refugees living in severely sub-standard housing. There is evidence of widespread social problems, particularly among older people.

The British Refugee Council, which co-ordinates the work of many charities and other organisations, has been trying in recent years to encourage the Government to adopt a more positive and measurable settlement plan for refugees, covering areas like accommodation, training and employment opportunities.

Progress is proving slow, even though the number of asylum seekers to Britain is tiny by European standards – around 4,000 a year. The arrival of even a small number of Mr Lee's jumbo jets from Hong Kong would call for a more dynamic approach.

**Alan Pike**

# Across China's border

Peking's crack-down on the pro-democracy movement in China may generate another wave of attempted immigration into Hong Kong itself.

Until 1980, when the Hong Kong Government tightened border controls, there were successive tides of immigrants from Guangdong province.

Newcomers now would mostly be economic refugees. Even before the demonstrations, power and raw material shortages in China led to the closure of factories. Guangdong is particularly dependent on inland China for coal and other supplies.

Hong Kong projects in Guangdong employ up to 2m workers in hotels, other service industries and small manufacturing. Hong Kong investors seem unlikely to pull out just because they are repelled by Peking's brutality, but they may be worried about the future performance of their projects under a changed Chinese regime.

Withdrawal of investment would mean cuts in the workforce. Will the new Guangdong unemployed try to make for Hong Kong? Some might. But it is not easy to get there. For years China has co-operated with Hong Kong in keeping illegal immigrants out. Hong Kong is cut off by the Special Economic Zone (SEZ) of Shenzhen which has a fence blocking off the rest of China. Working in the SEZ is a special privilege and if they manage to get inside, fugitives still have to get through the British fence which is wired to alert the Gurkhas soldiers patrolling the borders as soon as a touch is registered.

Anyone coming by sea from further up the Chinese coast would almost certainly be caught by Hong Kong's marine police.

Around 100-150 people try to cross the land border each day, and are rounded up and sent back by the British. Many try twice, three or half a dozen times.

Since 1980, however, it has been increasingly difficult for illegal immigrants to find work. Employers face heavy fines, and a possible jail sentence, if they take on workers without Hong Kong identity card cards.

**Colina MacDougall**

# Generosity tempered by caution

Any move abroad of large numbers of Hong Kong people would be the latest in a long history of world migrations, of which the most recent example is the exodus of hundreds of thousands of Indochinese refugees.

The US, Canada and Australia, with small populations relative to their size, have traditionally been most willing to take in immigrants. Yet even these countries have restricted the totals they will accept and become more choosy about qualifications. Among Continental European countries, France has perhaps the longest, most pronounced tradition of immigration.

● US. After the big influx of immigrants into the US at the beginning of the century from Italy, central and eastern Europe and Ireland, there was a marked drop between 1920 and 1970. This was partly the result of national origin quotas, which kept out Asians and barred most east European Jews during the 1930s.

Historically, the US, like other host countries, has relied on immigrants for cheap labour. Immigration soared in the 1980s, reflecting the long US employment boom. The inflow in the present decade may equal the previous peak of nearly 9m in the 1900s, and would exceed this number if the millions of illegal immigrants from Latin America were included. Almost all new entrants now come from Asia, Latin America and the Caribbean, with only 10 per cent from Europe.

The US has generally taken a more sympathetic view of refugees than most other western nations, recently responding to the pressure of Soviet Jews and Armenians seeking to leave their homeland under eased Soviet exit policies. It has admitted some 650,000 Asian immigrants during the 1980s, a large proportion of them Indochinese.

● Canada. With one of the lowest population densities in the world, Canada has also traditionally adopted an ambivalent attitude. The country's urgent need for more people because of a stagnation of normal population growth is increasingly recognised. But a substantial number of Canadians has always opposed any significant relaxation of immigration policy.

While the immigrant admission target has almost doubled under Brian Mulroney's Conservative administration from 89,000 in 1985 to 150,000-160,000 this year, it remains far below the levels early this century when the drive to populate the Canadian prairies reached its peak.

The present target range includes quotas for candidates for family reunification (57,000), selected workers and dependants (45,000-52,000) and refugees (33,000 to 36,000). The country has absorbed a large ethnic Chinese population over the past 25 years and is showing some willingness to help in the event of a Hong Kong crisis. According to official figures, Canada has already accepted 120,000 Indochinese refugees since 1979 and expects to resettle up to another 15,000 over the next three years.

● Australia. With a population of only 16m, Australia has long favoured opening its doors to immigrants with a contribution to make to its prosperity. The country is still willing to take 140,000 immigrants a year, but only one tenth of the 1.5m applicants are accepted under a two-category system which favours family ties and occupational skills.

Australia has also provided financial assistance and resettlement opportunities for Vietnamese refugees, virtually none of whom meet its normal immigration criteria. Since 1975, 120,000 Indochinese refugees have been accepted – 9 per cent of those resettled in the west – in addition to a further 13,600 under the bilateral Vietnam Migration Programme.

● France. Immigrant waves in France have corresponded mainly with the imperatives of the labour market and have often been accompanied by outbreaks of xenophobia from the native population.

The number of foreigners currently in France is 3.7m to 4.5m, depending on whether one believes the latest census of 1982 or interior Ministry figures based on residence permits. The immigrant share of the population based on the census figures now stands at around 6.8 per cent.

The First World War created a large influx of immigrants, but the economic downturn of the 1930s meant policy was reversed. Similarly, the state stimulated a heavy flood of immigrants after the Second World War, which was cut off after the first oil shock in 1974. The big difference between the 1930s and the 1970s was the increase in north African immigrants. In 1931, over 90 per cent of foreigners in France were of European origin. Fifty years later, only 48 per cent came from Europe, while nearly 39 per cent came from north Africa.

In 1974, France stopped all immigration except from the EC and during the remainder of the 1970s, conservative governments offered financial incentives to persuade immigrants to go home. This was virtually without effect and was abandoned by the Socialists in 1981, who also eased the rules allowing immigration for family reunion.

This comparatively liberal policy backfired politically, prompting the rise of the extreme right-wing National Front Party. The return to power of the Gaullists in the 1986 general election brought a toughened policy. The Loi Pasqua enabled the Government to expel foreigners virtually without appeal. The new Socialist Government has repealed the Loi Pasqua and strengthened the rights of foreigners legally resident in France, but it has continued restrictions on immigration.

**Robert Mauthner**

*Additional material from Robin Pauley, Peter Riddell, David Owen and Ian Davidson*

# US faces fusillade of censure in Gatt council

**By William Dullforce in Geneva**

THE US was left isolated yesterday in the council of the General Agreement on Tariffs and Trade, when its decision to single out Japan, Brazil and India as "unfair traders" under its new Trade Act was subjected to a veritable fusillade of censure.

But in his first appearance before the council Mr Rufus Yerxa, Deputy Trade Representative and the new ambassador to Gatt, *retorted that the US* would not apologise for a policy which allowed it to do what every other Gatt member sought to do - pursue the elimination of trade restricting policies in its trading partners.

Nevertheless, Mr Yerxa gave assurances that the US would bring trade complaints, covered by Gatt rules, to Gatt for settlement. Where the issues raised were under negotiation *in Gatt's trade-liberalising* Uruguay Round, the US position in the bilateral talks, which it was seeking with the named countries, would be "entirely *consistent" with its objectives* in the Round, he added.

When targeting the three countries for possible retaliation under section 301 of its new Act in May, the US cited Brazil's import restrictions, India's obstacles to foreign investment and to participation in its insurance business and Japan's barriers to satellite, supercomputer and forest product markets.

Mr Rubens Ricupero, the *Brazilian ambassador, told* the special council meeting that by invoking section 301 of its Act the US had "already wasted and ruined the precious capital of goodwill" accumulated in the successful conclusion of the Round's mid-term review.

The US could put to rest all the concerns expressed by simply making a firm commitment not to impose trade sanctions unless authorised by Gatt, Mr Ricupero said.

India's envoy, Mr Bal Krishan Zutshi, said *it* was imperative for the council to send a clear message to US administrative and legislative authorities that implementation of *section 301 would "emasculate* the multilateral trading system and bring the process of preserving and strengthening it to a halt".

*Using more moderate* language, Mr Yoshio Hatano of Japan nevertheless voiced "strong concern" that the US action could adversely affect bilateral relations, obstruct efforts to resolve trade problems and risk giving advantage to protectionist forces.

The European Community joined in the accompanying chorus of condemnation from countries not named by the US. Tran Van Thinh, head of the EC delegation to Gatt, appealed to the US Congress to realise the fundamental contradiction in its new Act.

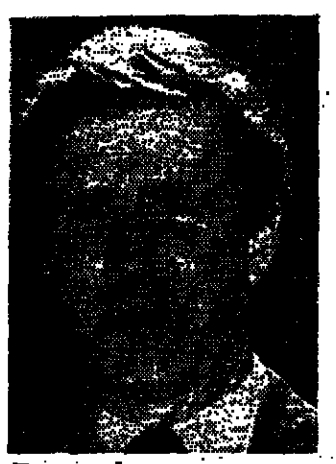
Mrs Carla Hills, the US *Trade Representative*, had had all the pains in the world when testifying before the US senate to reconcile the flagrant contradiction between the *declared multilateral objectives* of US trade policy and the pursuit of bilateral objectives by unilateral means.

Taking umbrage at *suggestions* that US "bullying tactics" hurt the small countries most, Mr Yerxa said the developing countries as a whole had no better friend in world trade than the US.

It imported 60 per cent of the developing nations' manufactured exports - more than twice as high a percentage as the EC *and more than eight times* Japan's. The US was the largest single export market for Brazil, India and Japan. Figures spoke more loudly than words about the US commitment to open trade.

Section 301 had been part of US law since 1974 but had never been used as a pretext to build protectionist walls around its open economy. It *had* been used to focus attention on trade barriers and restrictive practices, many of which US trading partners had later conceded were unjustified.

*Mr Yerxa* said it was not appropriate for the council to make judgments about hypothetical future US actions that could be illegal under Gatt.



Yerxa: under pressure

Hatano: polite but firm

# Indian insurance monopoly to open offshore company

**By K.K. Sharma in New Delhi**

INDIA'S Government-owned Life Insurance Corporation, whose monopoly within the country has been attacked by the US under the Super 301 clause of the Trade Act, is to open an offshore company in Bahrain to cater to the needs of Indians in the Gulf.

The move seems likely to weaken India's argument that foreign investment should not be permitted in the insurance sector now that it itself is investing abroad in this area.

Only Indian companies are allowed to enter the insurance business and all life insurance and the *bulk of general insur*ance are the monopoly of Government-owned companies.

India has refused to negotiate with the US on regulations *governing* both *insurance and* foreign investment.

Mr R. Narayanan, chairman, of the Life Insurance Corporation when asked for his reaction to the US action under Super 301, said it was only because of nationalisation of the insurance industry in India that the benefits of life insurance had been extended to poorer sections in remote areas of the country.

He felt it was inconceivable for foreign insurance companies to provide insurance cover for people like poor fishermen, sweepers, milk vendors and *the like since* high profits were not possible. His own corporation looked at insurance as a means of providing social security, he said.

# Missile contracts signed

**By Jim Bodgener in Ankara**

SUB-CONTRACTS valued at around DM700m (£230m) have been concluded between Turkish companies and West Germany's Dornier for the Turkish share of a four-country joint project to make Stinger missiles in Europe. The work awarded to Turkish companies includes rocket component *and fuel manufacture*.

Aselsan has the largest portion (40 per cent) of the Turkish package for its manufacture of the missile guidance *system. Rocketsan*, with 35 per cent, will make the fuel and components. Other Turkish companies involved in the package are Kalekalip, Coskun Oz and Emek Holding.

The total project fronted by Dornier will cost DM1.8bn. The consortium manufacturing the missile consists of Turkey (40 per cent), West Germany (36 per cent), the Netherlands (14 per cent) and Greece (10 per cent).

## Aero-engine deal

General Electric of the US and Ruston Gas Turbines, *part of* GEC of Britain, have signed a memorandum of understanding to expand their partnership for the supply of General Electric T700 *aero-engines for* helicopters, writes Lynton McLain.

The partnership is aimed at winning engine orders from *potential* Black Hawk and Apache helicopter sales to the British Ministry of Defence.

## Order for Ericsson

Ericsson, the Swedish telecommunications company, has received an order worth $55m (£36m) from American Mobile Data Communications for the first phase of a Mobitex mobile communications system, David Bartal writes from Stockholm.

The Swedish system, the first of its kind to be introduced in the US, according to Ericsson, provides users of portable data terminals and fleets of vehicles with access to data bases.

# W German export insurance scheme faces growing debts

**By Alan Spence in Hamburg**

BIG outstanding debts continue to pose problems for *West Germany's official* export credit insurance scheme administered by the private insurance company Hermes on behalf of the government.

*Outstanding debts at the end* of 1988 stood at DM12.4bn (£4.1bn) against DM10.3bn a year earlier. According to the annual report published by Hermes a small cluster of countries, including Poland, Brazil and Nigeria, account for over three-quarters of these debts.

According to officials, Hermes remains willing *to* cover short term business to many heavily indebted countries. However, medium term cover remains in *principle unavail*able to such problem cases as Brazil and Nigeria.

Nevertheless Hermes officials say the company will still consider *covering* credit risks to these countries on a case by case basis.

*Hermes* is continuing to guarantee business to China - unlike for example official Dutch export credit insurer NCM which recently *suspended cover*.

However, the government's *inter-ministerial* committee on export credits which determines cover policy has started a routine meeting in Konstanz, Baden-Württemberg, and the *status of Chinese cover* is likely to be reviewed, Hermes officials said.

In 1988 claims against the official export credit scheme fell 2 per cent *to DM2.3bn* and premiums rose 2 per cent to DM501.7m.

However, recovered payments fell a substantial 36 per cent to *DM246m and overall* the scheme's deficit rose 6.7 per cent to DM1.57bn.

# Algeria close to winning US natural gas contracts

**By Francis Ghiles**

ALGERIA'S state oil and gas monopoly, Sonatrach, is expected to finalise three new contracts to sell liquefied natural gas (LNG) to the US before the end of the year.

According to the weekly publication Petrostrategies, the volume of LNG involved amounts to 6bn cubic metres. When added to the three existing contracts, that would mean that Sonatrach would be selling about 18bn cubic metres of LNG into the US market by the mid-1990s.

Two of the contracts currently under discussion are with a Shell-Columbia Gas joint venture, a partnership which owns the largest regasification terminal in the US at Cove Point. The terminal has a capacity of 11.5bn cubic metres a year. The first contract, to run for 20 years, would be for 2.4bn cubic metres. The second *would run for five or six years* and involve 3bn cubic metres annually. Deliveries in both cases would start in 1991.

The third contract, with Southern Energy which owns a 4.7bn regasification plant at Elba Island (currently closed) involves shipping 1bn cubic metres of gas annually for five years, starting *in* 18 months.

These discussions underline *the fact that* Algeria's recently found flexibility in marketing its natural gas is earning the country valuable exports at a time when it badly needs to increase the flow of imports.

A technical factor which could win further contracts is the advent of combined-cycle plants in the electricity sector.

# Tokyo urges Washington to end bilateral complaints

**By Peter Montagnon in Tokyo**

THE US should take up its complaints over Japanese trade practices in satellites, supercomputers and wood products in the General Agreement on Tariffs and Trade rather than seek bilateral negotiations under last year's Trade Act, a senior Japanese trade official said yesterday.

Japan would not change its policy of refusing to negotiate under duress, Mr Shigeo Muraoka, Vice-Minister for International Affairs at the Ministry of International Trade and Industry said.

It was, however, prepared to consider negotiations in the Gatt. This was a forum where the risk of unilateral and arbitrary action would be eliminated as the US would be able to impose sanctions only with the approval of the Geneva-based body.

Moreover, any concessions made by Japan would have to be on a multilateral basis so that the benefits would accrue to other countries and not just the US, he said.

Mr Muraoka told a businessmen's lunch in Tokyo that the US was sceptical when Japan suggested this approach in bilateral discussions last week but it was up to Washington to consider the idea. "Presently the ball is in the US court."

The US decision to name Japan as a priority country for action under last year's Trade *Act had added to the feeling of* mutual mistrust between the two nations, he added.

This went beyond the mere problem of their bilateral trade imbalance and reflected a perception in the US that Japan's technological advance, which had been achieved behind the facade of a closed market, constituted a threat to its security.

Japan could help to allay this fear by promoting technological cooperation and stepping up its imports even further, he said, even though the $38bn increase in imports last year was equivalent to the entire import bill of a country *such as Australia*. Yesterday top executives of 318 Japanese companies were summoned to Miti and asked to do more to import, he said.

Japan should also be willing to bow to reasonable trade requests of other countries "even if a certain political cost is required." Looming elections in Japan made no difference to this view, he added.

Mr Muraoka praised last weekend's report by the Japan *Economic Foundation* which called for a joint economic cooperation charter between Japan and the US.

Talks between the two countries on structural impediments to trade would probably begin formally at next month's summit in Paris, he said.

But he warned against an over-hasty approach to this area on the part of the US. Though Japan agreed that structural issues should be examined, the talks should be broad and cover US structural problems and macro-economic policy as well as matters such as Japan's distribution system.

# Pay move likely after rail strikes

By Fiona Thompson, Labour Staff

BRITISH Rail is set to improve its imposed 7 per cent pay award to rail workers in a bid to avert a repetition of yesterday's 24-hour strike by the National Union of Railwaymen.

BR said last night it hoped the union would agree to meet for talks tomorrow at the conciliation service Acas.

"If we can get round the table talking I think we can make progress quickly," said Mr Paul Watkinson, BR director of employee relations.

No trains ran anywhere in the country yesterday. In London, commuters faced chaos as the rail stoppage coincided with a 24-hour strike on London Underground railway and a lightening strike by bus workers. It was the first complete public transport shutdown in the capital since since the 1926 General Strike.

BR said the stoppage had cost £10m in lost passenger and freight revenue while in the capital there was heavy traffic congestion in the early morning and late evening. Train services are expected to return to normal at about 8am with services starting about 6am.

The NUR executive will meet this morning to consider returning to Acas and to debate possible further moves if progress is not made there. The most likely action would be weekly 24-hour strikes.

Mr Jimmy Knapp, NUR general secretary, was just 40 minutes into talks with Mr Dennis Boyd, Acas chief conciliation officer, last Friday when BR announced it was taking the union to court. BR claimed that the union had not properly conducted its strike ballot, but the High Court on Monday refused to grant an injunction outlawing action, a decision upheld by the Appeal Court.

The NUR's 70,000 members voted to take their strike over an imposed 7 per cent pay offer and the proposed abolition of national pay bargaining.

It is believed that BR will both improve the basic offer and offer an additional amount on top if the unions will agree to more flexible working and make a commitment to talk about pay bargaining.

The NUR seems unlikely to respond favourably to any offer below 9 or 10 per cent.

The dispute will move to the NUR's annual conference in Newcastle from Monday. Delegates will have the power to end the dispute or impose further action.

London Underground also hopes to meet the rail unions at Acas on Friday to discuss the Tube dispute. This centres on two issues: changes in working practices and promotion procedures; and drivers' claims for an additional £64 a week for operating driver-only trains.

# Courts strike out on a new path

**Robert Rice** on the 'nightmare' which once haunted trade unions

IF TRADE unionists feel somewhat bemused by recent court decisions concerning the rail strike and the impending docks strike, it is hardly surprising.

For weeks now, dockers – more than the rail workers – have been growing used to the idea, albeit reluctantly, that even where they follow the labour laws to the letter it is impossible to take official strike action and remain within the law.

The right to strike had been effectively curtailed by the willingness of the courts to grant emergency injunctions to prevent official industrial action in every big dispute since the early eighties.

Their feelings were summed up by Mr Jimmy Knapp, general secretary of the National Union of Railwaymen after London Underground railway was granted an injunction last month preventing official strike action by tube drivers.

"We are living in a legal nightmare. We are rapidly reaching the position in this country today where it is not possible to call a strike and remain within the law," he said.

Now within 24 hours in two separate disputes – the docks and the railways – the courts have reversed the stance they have resolutely adopted over the last five years and refused to grant injunctions restraining official strike action.

Trade unionists may be forgiven for wondering if Tuesday's decisions were motivated as much by political expediency as anything else.

It could be the case that the recent growth of wildcat action, the obvious anger of the dockers following the Court of Appeal decision to impose an injunction two weeks ago, and the perceived difficulties of legislating to control unofficial action combined to make it expedient to allow an official strike.

Trade unionists also have every right to blame the courts for the confusion they find themselves in. It is difficult to understand how three courts at different levels within the Supreme Court, considering the same set of facts, managed to come to such divergent views.

The law on the granting of injunctive relief in strike situations is by now well rehearsed. Employers seeking to prevent industrial action must first persuade the court that they have an "arguable" case to go to trial.

They must then satisfy the court that if they won at trial, an award of damages would be insufficient remedy for the loss they suffered through the strike being allowed to proceed. Finally, they must convince the court that the balance of convenience between the two parties favours the granting of an injunction.

Invariably, in strike cases the balance of convenience favours maintenance of the *status quo*.

In the High Court, the judge clearly took the view that the Port Employers did not have an arguable case. It was spurious to argue after 40 years that dockers had a statutory duty to continue working under the National Dock Labour Scheme. It was the announcement that this scheme, which regulated employment and working conditions in most of Britain's ports, which led to calls for a strike.

The Court of Appeal disagreed. In its view the employers' case was at least "arguable." They placed great emphasis on the damage to public interest that a strike would cause.

The reasons for the Law Lords' decision to lift the injunction will not be known for some time. But it seems clear that they accepted the union's argument

It is tempting to interpret recent events as a sign that the right to strike is alive and well. One thing is absolutely clear, however. Theoretically, it could be said that all cases are "arguable."

But the decisions establish that arguable does not mean spurious.

Knapp: summing up the fears of railway workers

# Guinness seven may face fewer charges

By Raymond Hughes

THE trial of the seven men accused of criminal offences in connection with the Guinness takeover of Distillers will not now begin until January and it is likely they will face fewer charges.

The Serious Fraud Office, which is handling the prosecution, and the trial judge, Mr Justice Henry, accepted that defence lawyers cannot be ready by October, when the trial had been intended to begin. It is now proposed the case should start at Southwark Crown Court on January 8.

It is also likely that by that time the 65-count indictment – already "rationalised" by the SFO in an attempt to simplify presentation of the case to jurors – will have been further slimmed down.

Mr Ernest Saunders, the former chairman and chief executive of Guinness, and his six co-accused have all pleaded not guilty to the charges against them, which include allegations of theft, false accounting and conspiracy to defraud.

The case will come back before Mr Justice Henry for a further preparatory hearing on September 18 and 19 to discuss the SFO's controversial proposal to split the trial in two. The SFO's plan would like the first trial to deal with allegations against the businessmen defendants and the second with the professionals.

# Kinnock signals his opposition to early move on ERS entry

By Robert Taylor in Stockholm and Philip Stephens in London

MR NEIL KINNOCK, the opposition Labour party leader, yesterday appeared to come out strongly against any early entry by sterling into the Exchange Rate Mechanism of the European Monetary System.

Speaking in Stockholm, he said that "for a deficit country like Britain to join up in the EMS invites massive deflation, or worse, to sustain it", and he was opposed to such a step.

Mrs Margaret Thatcher, the Prime Minister, can take some comfort from Mr Kinnock's views as she prepares for the European Community summit in Madrid next week where the issue of economic and monetary union heads the agenda.

She will be able to argue that there is a bipartisan attitude to the question of the pound and the EMS and she is not alone in Britain by voicing doubts about UK membership of the exchange rate mechanism.

Mr Kinnock's comments will also cause concern among several members of his own opposition Cabinet. Several key Labour figures are thought to believe that over the next few months the party should adopt a much more positive line towards the exchange rate mechanism.

Their view is that a commitment for the next Labour Government to move quickly on full membership of the EMS would underpin the credibility of its newly-revamped economic policy.

It would also complete Labour's transformation into a "party of Europe" and allow it to exploit the present differences between Mrs Thatcher and her senior ministers over EMS membership.

Their hope will be that Mr Kinnock's antipathy yesterday reflected the view that membership would be impracticable under the present Government's economic policies rather than a decision to close the door on any change in Labour's approach.

Mr Kinnock yesterday underlined the three conditions which he said would have to be accepted before Britain should participate fully in the EMS. He believed:

■ There was a need for what he called a "joint European growth strategy" to co-ordinate EC economic expansion.

■ The European banks would have to provide "proper and sustainable support" for sterling to "offset the short-term negative effects of joining the EMS."

■ It would make no sense to link up with the EMS unless it was done at "a competitive rate to the benefit of British industry".

The Labour leader added that "for now and for some time to come" Britain should not join the EMS.

# Doctors to vote on contract changes

By Richard Donkin and Philip Stephens

THE British Medical Association will ballot the UK's 32,000 family doctors on the Government's proposed changes to their contracts after doctors' representatives narrowly voted yesterday to reject new terms negotiated on their behalf by the BMA.

A hastily convened meeting of the General Medical Services Committee of the BMA will formally decide the ballot today. This is constitutionally necessary to endorse the ballot recommended by the annual conference of Local Medical Committees meeting in London.

The committee is unlikely to challenge the vote after the embarrassing rejection of its recommendation to accept changes it had negotiated in the contract with the Department of Health and Social Security.

The closeness of the vote to reject – 166 to 150 – has given Mr Kenneth Clarke, the Health and Social Security Secretary, renewed confidence to press ahead with the contracts, whatever the result of the ballot.

In a tough response to the vote, he said that he "was not in the business of reopening negotiations" with GPs who he described as being "in rather a muddle." He said that regulations to implement the new contract would be in force by April 1990.

The Department of Health is refusing to change the most controversial part of the contract which relates a higher proportion of GPs' pay to the size of their patient lists.

Ministers are considering carefully, however, representations about several detailed elements in the contract and are prepared to be flexible in areas where they believe that the doctors have a strong case.

Ministers are convinced that they have the solid support of Conservative MPs to push ahead with the contract and believe the BMA's campaign against the proposals has proved counter-productive.

The Department expects to publish the regulations in September.

# ITV condemns licence auction

By Raymond Snoddy

THE UK's 16 independent television companies are "implacably and unanimously opposed" to Government plans to auction commercial broadcasting licences to the highest bidder, from anywhere in the European Community, in 1991.

"The case against auctioning is that big money can outbid good quality. It catastrophically destabilises a £1,500m industry for at least two years before and two years after an auction," Mr Richard Dunn, chairman of the ITV Association and managing director of Thames Television, the largest ITV company, argues today in a letter to the Financial Times.

Not only would the ITV companies continue to fight the auction proposal through both Houses of Parliament, "we intend that the quality of British television will still be an issue in 1991 when the auctions and possibly a general election are scheduled to occur," Mr Dunn argues.

Mr Dunn's letter is ITV's first formal policy statement after the Government's announcement earlier this month of its planned broadcasting legislation.

The Thames managing director says economists who have studied the implications of auctions concluded that they will result in a reduction in quality and a narrowing of choice by sucking money into the Treasury and out of programmes.

Mr Douglas Hurd, the Home Secretary, confirmed last week that the broadcasting licences would go to the highest bidder, except in exceptional circumstances.

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# Bradford plans first inner-city 'magnet' schools

**By David Thomas, Education Correspondent**

BRADFORD is planning to become the first local council in Britain to introduce so-called "magnet" schools, pioneered in the US, and which seek to build reputations for educational excellence in run-down, inner-city areas.

Bradford's ruling Conservative group is preparing to put proposals to the council next month for the transformation of some of its 24 secondary schools into magnet schools, which concentrate on particular activities such as science or the performing arts.

The Conservative-controlled south London borough of Wandsworth last week announced plans for nine of its secondary schools to make the changeover, although it is unlikely to be implemented before September 1991.

Mr Mike Gaunt, chairman of Bradford's education committee, said he hoped about six schools would become magnets in September 1990. Others might follow later.

"We will choose the schools on the basis of the expertise they already have and the enthusiasm they show for the project," Mr Gaunt said.

By changing only some of its schools into magnets, Bradford is likely to foster competition among parents for places at the schools.

However, Mr Gaunt emphasised that magnet schools would be available to all sections of the population. "The schools will become elitist, but they will be elitist for all the people," he explained.

Mr Gaunt added that Bradford's magnets would each concentrate on different areas such as maths, music, creative arts and languages. He also explained that initial funding to change the first tranche of schools could be found from within the council's existing resources.

He pointed out that there would be no need for a magnet specialising in technology, because a City Technology College is due to open in Bradford in 1990.

This would be the first time that the education offered by a CTC would be dovetailed with that provided by local authority schools.

Considerable opposition might be revealed to Bradford's proposals during the consultation exercise it plans. Head teachers and chairmen of school governing bodies in Wandsworth are refusing to co-operate with the plans there.

Future developments in the finely balanced Bradford council might determine whether magnet schools ever take root there. At present, Bradford's Conservative group controls the council only through the casting vote of the mayor.

# Financial sector shuns 'inarticulate' scientists

**By Peter Marsh**

MUCH of Britain's financial sector lacks an understanding of technology and refrains from employing scientists because they are thought to be inarticulate and lacking in social skills, according to a report.

The study, by Scientific Resources, a recruitment group, will stimulate discussion about what is often said to be a gap in thinking between the investment community in the City and technology-based industry.

Many in the industrial camp frequently accuse the City of taking a short-term approach to investments and of failing to comprehend technological issues that may affect commercial developments over a long period.

The report says that many City organisations involved in high-tech investments "do not believe that understanding the technology itself is of major value," preferring to concentrate on management issues.

"Evidence of past management success is for them [City groups] an adequate testimonial for new technology," says the study. "When a strong management record is absent, investment advisers will rarely find it worthwhile to carry out due diligence on a company's technology, let alone invest in it."

Scientific Resources, which is a subsidiary of Cambridge-based Generics Holdings, a science and technology consultancy, based its report on interviews with 48 banks and other financial groups in the City.

The survey found, with some important exceptions, a general lack of regard for scientific skills in the personnel policies of the financial groups.

People with scientific backgrounds were often said to have "social weaknesses" in being unable to communicate with colleagues and to articulate their thoughts intelligibly.

The study found the disdain for scientific skills especially ingrained in equities research departments covering the electronics industry. People employed in the City to analyse the performance of pharmaceutical companies, in contrast, were expected generally to have a good knowledge of scientific and technical developments because of the special importance of these aspects in new drug development.

Although some of City groups interviewed in the survey said they appreciated the analytical skills of mathematics or science graduates, others said they often viewed such people as a liability.

The head of one equities research department in the City told Scientific Resources that a scientific background "makes people too thoughtful, less verbal than they need to be."

Another person interviewed said that sometimes scientists or engineers were employed in the City, not because of their academic knowledge but simply to keep up good relations with the industrial companies which they were required to visit and write reports on.

One fund manager involved in personnel policy said that, in theory, employing scientists was a sound idea, but in practice it often failed to work effectively.

He added: "We want people who are clear and coherent under pressure, which scientists aren't."

Another person interviewed in the survey who is involved with staffing requirements for corporate finance said he was not against employing scientists but "we want them as smart people, not as scientists, and use them as generalists."

*How the City Appraises Technology Investments by Jonathan Moody. Scientific Resources, King's Court, Kirkwood Rd, Cambridge CB4 2PF.*

# Many graduates useless to large employers, says BP

**By David Thomas**

MANY NEW graduates are so lacking in basic skills, including those of literacy and numeracy, that they are useless to large employers, one of the country's biggest graduate recruiters said yesterday.

The gloomy message was given by Mr Chris King, BP's personnel director, to a conference on skills in the 1990s organised by the Council for National Academic Awards at Hatfield Polytechnic in Hertfordshire.

Many employers are expecting difficulties in recruiting good graduates over the next few years because of the predicted decline in the number of young people. However, the implication of Mr King's speech is that industry may be facing an even more severe graduate recruitment shortfall than has been foreseen.

BP believes there will be an increasing segmentation of the labour market into graduates with the right skills who will be in high demand and those who might still fail to find jobs.

"There may still be a disturbing number of graduates whose job expectations are frustrated because of their lack of knowledge of what industry needs," Mr King said.

Mr King pointed out that 85 per cent of BP's annual intake of more than 400 graduates were scientists and engineers, while those disciplines were essential for only 65 per cent of its vacancies.

Arts and social science graduates were being rejected because they were insufficiently numerate even for non-technical BP jobs.

BP was also worried about "how often new graduates are unable to communicate in writing unambiguously, lucidly and, above all, concisely."

The company has to send many of its graduate recruits on report writing courses to remedy those deficiencies.

Many employers were also concerned about the lack of computer awareness and of simple interpersonal skills among many graduates, Mr King said.

# Contractors will provide training for city projects

**By Hazel Duffy**

LEADING contractors in the British Urban Development consortium plan to train people to take jobs on inner city-type development projects.

The plan aims to provide a pool of skilled labour to be in place when the project starts. People in the areas where BUD companies operate will be given priority for training and jobs will be guaranteed at the end of the training period.

BUD was set up just over a year ago, with the support of Mrs Thatcher, the Prime Minister, who at the same time launched the Government's Action for Cities programme.

The scheme's purpose is to promote urban regeneration. For instance, it is working in Swansea with the local council on plans for a new village, to provide housing for young, science-biased entrepreneurs.

BUD also has projects in the Midlands, Teesside, London and Rotherham.

*Management* of each scheme will be conducted by the BUD member leading a particular project. A building will be acquired close to sites where training is conducted, and support will be provided by consortium members.

# Bus industry 'faces reduced competition'

**By Kevin Brown, Transport Correspondent**

MOST MANAGERS of local bus companies believe the industry will be dominated by a few nationwide holding companies within five years, according to a survey published yesterday.

The survey, carried out by the Harris Research Centre for Peat Marwick McLintock, the accountancy firm, is further evidence that the Government's attempt to promote competition through privatisation and deregulation is likely to fail.

The bus industry outside London has been deregulated since October 1986 under legislation that allows anyone to operate a service after giving six weeks' notice to the Traffic Commissioners.

At the same time, the state-owned National Bus Company (NBC) was broken up into 70 operating subsidiaries and sold to private buyers many of which were consoria of managers and employees.

The Government hoped that entrepreneurs would take advantage of the liberalisation of the industry to set up services in competition with the formerly publicly owned companies.

However, few new companies have entered the market and there has been a steady move towards amalgamations of existing small operators.

In addition, Sir Gordon Borrie, the Director General of Fair Trading, has warned that operating agreements between privatised companies were anti-competitive.

Sir Gordon Borrie: warning on operating agreements

In his last report on the industry, Sir Gordon said 115 of 239 agreements submitted to him contained anti-competitive clauses involving price-setting or market-sharing. He warned 66 companies that they would be referred to the Restrictive Practices Court unless anti-competitive elements of agreements were removed.

Harris interviewed 144 senior managers of former NBC companies, municipal companies, and subsidiaries of the Scottish Bus Group, which is to be privatised later this year.

According to the survey, 70 per cent of managers think the industry will become dominated by nationwide holding companies within five years, and 86 per cent think more local monopolies will emerge through amalgamations.

The survey says 84 per cent of respondents think few new companies will enter the industry over the next five years, while 30 per cent think many existing companies will go bankrupt, and 66 per cent think many existing companies will be taken over.

However, 76 per cent think deregulation has made the industry more efficient, and 84 per cent think that operators give *"no less consideration"* to safety than before deregulation. The service in urban areas is described as better by 61 per cent, but 42 per cent think it is worse in rural areas.

# Estate agencies' code of practice to be voluntary

By Paul Cheeseright, Property Correspondent

THE GOVERNMENT has ruled out new legislation to control estate agents. It will rely on a voluntary code of practice, stiffened by the Office of Fair Trading's power to ban agents who are carrying out undesirable practices.

Although the Department of Trade and Industry yesterday presented the action as "tough new measures to deal with estate agents", it did not go as far as the industry itself had asked.

Mr Eric Forth, the parliamentary under-secretary dealing with consumer affairs, is asking Sir Gordon Borrie, Director General of Fair Trading, to draw up the code of practice in consultation with the industry.

The code will, however, apply only to members of trade associations who agree its provisions with the OFT. It is not necessary for an estate agent to be a member of a trade association and any one can be an estate agent.

The National Association of Estate Agents welcomed the government measures as a step in the right direction, but made clear that they did not go far enough. "It's all very well having a code of conduct but one ought to have a system to test whether an estate agent can read," said Mr Trevor Kent, the association's president.

In a written parliamentary answer, Mr Forth noted that for the last 11 months it had been reviewing estate agency issues in order to identify ways in which their practices could be improved to provide a better service. "I have concluded that the best way to achieve this is through a combination of self-regulation and statutory provision," he said.

By early next year, Sir Gordon will have drawn up a code covering the duty of the estate agent to pass on to the client all bids for a property, to make clear his role when also providing financial services, to set standards for accurate descriptions of property, and to set out clearly the costs for clients. Agents would have to specify when they have a personal interest in a transaction.

The Government expects that an ombudsman would be appointed to resolve disputes. Leading estate agents have already taken their own decision to appoint a referee for customers' complaints.

Once the code has been drawn up, some of the practices will be categorised as "undesirable". The OFT would have the power to ban estate agents found engaging in them. This would come from an order to be made under the terms of the Estate Agents Act 1979. The OFT already has the power to prohibit "unfit" persons from practising as estate agents.

Although the Consumers Association welcomed the moves, industry bodies are disappointed that the Government has not set minimum standards of competence for estate agents although it has power to do so under the 1979 act.

# Fresh facts point to nuclear link with cancer

By Lynton McLain

EVIDENCE of a link between nuclear installations and cancer in children living near them was published yesterday by a Government-appointed committee of independent scientists.

The scientists found evidence of an "excess incidence of childhood leukaemia during 1972-85" in the area of Britain's nuclear warhead research and production factories in Berkshire.

The excess was found near the Atomic Weapons Research Establishment, Aldermaston, and the Royal Ordnance Factory, Burghfield.

It was the third time scientists had found a high incidence of leukaemia in young people near nuclear establishments.

The latest report, published yesterday by the Department of Health, said there was "a small, but statistically significant increase in registration rates for childhood leukaemia in the age group 0-14 over the period 1972-1985, in the areas within 10 km of the Atomic Weapons Research Establishment, Aldermaston, and the Royal Ordnance Factory, Burghfield, compared with both the national rates and the regional rates for Oxford and Wessex."

In the same areas, there was also a small but statistically significant increase in registration rates for other childhood cancers in the age group up to 14 from 1971 to 1982. Oxford and Wessex refer to the regional health authority areas of those names.

The registration rates for leukaemia and other cancers in ages up to 14 in the whole of the West Berkshire and the Basingstoke and North Hampshire health authorities also showed a statistically significant increase compared with national rates.

The scientists said: "We cannot exclude completely the existence of some hitherto unknown and unexpected route by which some individuals could be exposed to increased levels of radiation."

*Incidence of Childhood Cancer in West Berkshire and North Hampshire. HMSO. £7.20.*

# Taxpayer 'should share in big urban development profits'

By Hazel Duffy

A BETTER deal for the taxpayer from the Government's urban development corporations was called for by the Commons Public Accounts Committee yesterday.

The particular agreement that provoked the concern of the committee was that of Canary Wharf, in London's Docklands. Although the committee accepted that there were high risks for the developers, it noted that "very large sums of public money" were being invested in associated developments to make the scheme a success, while the developers would also secure significant benefits because it was in an enterprise zone.

The committee believed that there was therefore a strong case for provision for a public share of any profits in excess of an appropriate threshold. Had it been practicable, the committee said it would have recommended renegotiation of the agreement to include such a provision.

In future, the Government should make sure urban development corporations took "a tough stance in land negotiations." In future schemes where high profits were likely, there should be an equitable return to the taxpayer.

The committee is also critical of the management of the Merseyside Development Corporation and noted weaknesses in the Government's control of the MDC's work.

The investigation by the committee into urban development corporations followed a report by the National Audit Office which was not published until at least a year after its investigation. It has also been some time since the committee took evidence.

Mr Nicholas Ridley, Environment Secretary, seized on that point yesterday. He said that the committee's report "does not reflect the substantial progress that the Department of the Environment and the urban development corporations themselves have subsequently made to improve their managerial controls in just the ways advocated by the committee."

The London Docklands Development Corporation said last night that it had "responded fully to the committee's concerns about such matters as land disposals, valuations and the appointment of consultants." Procedural changes had been implemented. Public accountability and value for money were the prime concerns of reviews that had been and would continue to be carried out.

*Urban development Corporations. House of Commons Paper 385. HMSO. £7.40.*

# Prices put oil companies on the spot

**Max Wilkinson** on this week's changes at the petrol pumps

Sir Archibald Forster, chairman of Esso (UK), is mildly puzzled by the reaction to his decision to cut petrol prices by up to 6½p per gallon after steep increases earlier this year. "I do sometimes think there is a certain amount of hysteria going on out there," he says.

The subject under immediate discussion is an elegant blue and red graph showing Esso's average pump price against the wholesale price of petrol on the Rotterdam spot market. It proves, to Esso's satisfaction and, Sir Archibald hopes, also to the satisfaction of the Monopolies Commission, that UK pump prices have merely tracked those in the international market.

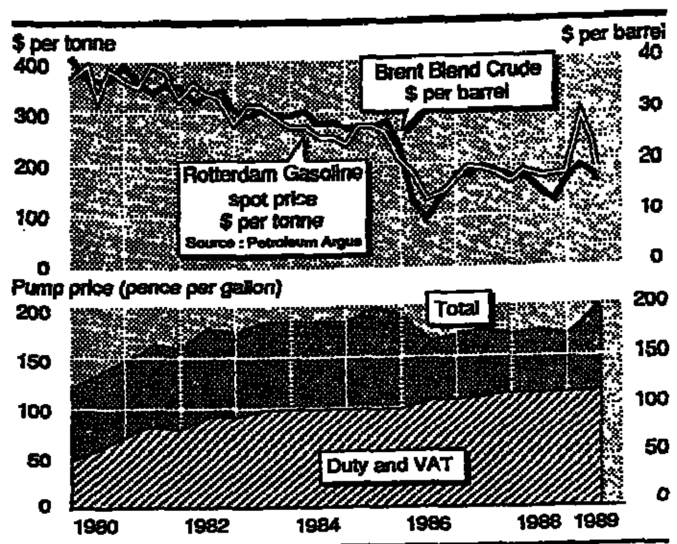
So, according to this graph, the rapid rise in UK petrol prices from mid-January to mid-April can be completely explained by the need of all oil companies to match the market.

The blue and red graph represents part of a new and more aggressive effort by UK petrol companies to fight back against the vague, but oft-repeated allegations that they have been operating an informal cartel in the forecourts.

The accusation is based on the suspicious fact that petrol companies have often in the past announced identical price movements on the same day, without a decimal point difference between them.

Even with a Monopolies Commission inquiry in full swing, on April 3, most of the major oil companies announced a price rise of 6.8p per gallon, taking the average price of four star up to 187.8p per gallon. So why did everybody choose exactly 6.8p, rather than, say, 6.7p or 6.9p?

A senior executive of one of Esso's main competitors conceded that choosing the same figure at that time was rotten public relations.




But, this was far from evidence of collusion; indeed it shows the opposite, Sir Archibald insists, drawing attention once more to the red and blue graph.

By mid-March the Rotterdam wholesale price was going up like the North Wall of the Eiger, leaving the Esso pump price languishing near to base camp. "I left the office on the Friday, saying we must put our price up by 9p a gallon. When I got in on Monday BP had gone to 6.8p. We couldn't afford to sit that far above them because we would lose volume," he said.

So, according to oil companies, the fact that prices move together is the natural consequence of a highly competitive market with historically low margins and over-capacity.

Certainly, the profitability of the refining and marketing operations of the oil companies has been fairly low, with a few exceptional periods, like in 1986, when the halving of world crude prices was not immediately reflected in pump prices and allowed oil companies throughout the world to achieve a big increase in profitability "downstream."

Esso which, like its sisters, has previously been reticent about downstream statistics, is now producing a barrage of material for the Monopolies inquiry, showing for example that its average return on downstream assets in the last six years has been only 7 per cent (accounting for stocks on a historic cost basis) and that its wholesale margin has been only 2p per gallon on average over the period (though this excludes retail margins and refining profits, if any).

Shell UK is, meanwhile, pointing out that it lost £28m on its refining and marketing operations last year and made only an average return on capital of 5 per cent in the last 6 years. Moreover, Shell points out, petrol prices before the most recent reduction were in real terms only 75 per cent of the peak price in 1985, when petrol was £2 per gallon.

Few doubt that in the last decade petrol refiners and marketers have had a hard time, with low profitability driving many refineries out of business. But if competition is fierce and capacity too great, why did UK petrol prices rise by more than 20p per gallon, after a similar rise in world spot prices in the early part of the year?

That, says Sir Archibald, is rather a mystery. The explosion of a Shell refinery in the US, some increase in demand because of mild European weather and a faster than expected shift to unleaded petrol combined to put pressure on world refining capacity. (Unleaded petrol uses more crude and uses proportionately more high grade refining plant). All this happened at a time when the world demand and supply for petrol were coming slowly back into balance. Moreover, world crude prices were higher than most oil companies had predicted.

All these factors combined were not enough to account for the sharp spike on wholesale prices in April, Sir Archibald believes, and he thinks that it must have reflected a build-up in stocks which may now be unwinding. At all events, the spot price has lost about half of the earlier gains and is now pointing decisively towards a further cut in pump prices.

Nevertheless, in the medium term, Sir Archibald thinks firmer crude prices and a generally tighter product market will result in an upward trend of pump prices. Every oil executive will hope he is right, but not perhaps before the Monopolies Commission produces its report at the end of the year.

# Mental wards given reprieve

By Philip Stephens, Political Editor

THE Government is planning to announce a moratorium on further closures of large Victorian mental institutions as part of its response to last year's Griffiths Report on care of the elderly, mentally ill and handicapped.

The temporary halt to the closures – which may affect up to 40 big hospitals dotted around the country – will be designed to give health authorities more time to set up better provision for discharged patients.

In his response to the report drawn up last year by Sir Roy Griffiths, Mr Kenneth Clarke, the Health Secretary, is preparing to announce next month that the health authorities will have to accept far greater after-care responsibilities before discharging patients from mental hospitals. This would represent a tacit acknowledgment that too many of those leaving such institutions are not receiving adequate help and are a key element in the growing issue of homelessness in the cities.

Among the new responsibilities faced by health authorities will be to ensure that those leaving institutions are provided with places in appropriate hostels and that proper clinical care is guaranteed.

The ultimate aim remains to close the large, often gruesome institutions that currently house around 60,000 long-stay mental patients, providing alternative accommodation either in modern hospitals or in newly constructed hostels.

Health authorities, however, will have to satisfy the Government that such provision has been made before going ahead with any further closures.

Ministers believe that much of the cost of the new accommodation can be met by continuing sales of surplus land around the present institutions and by sale-and-leaseback and other deals with developers. They will, however, also be seeking further resources.

The Government will also have to decide by next month how to reorganise its policy for the care of the elderly. Signs so far are that, although Mrs Margaret Thatcher has raised objections, a leading role will be given to local authorities.

Mrs Thatcher, anxious to reduce the role of the authorities across a whole range of services, has been pressing for alternatives, but is thought to have been persuaded that the system could not be properly administered by a new agency or by the health service.

Overall, the Government spends about £6bn a year on community care for the elderly, the mentally ill and the handicapped.

# Further 80 textile jobs lost

By Alice Rawsthorn

EIGHTY MORE textile jobs are to be lost in West Yorkshire at a spinning mill at Ravensthorpe, near Dewsbury, owned by Coloroll, the home furnishings group.

The Ravensthorpe job losses come at a precarious time for the textile industry, which is one of the largest sources of employment in the Yorkshire area.

In recent months the industry has been beset by increasing imports and erratic demand. Many companies have been forced to resort to redundancies and short-time working.

A week ago Coats Viyella announced 150 job losses with the closure if its carpet factory at Batley, which lies only a few miles away from Ravensthorpe.

Coloroll took over the Ravensthorpe mill, which spins woollen yarn for use in carpets, last year as part of its £207m acquisition of the John Crowther textile group.

The mill, which supplies yarn to Coloroll's own carpet companies and to external customers, presently has a workforce of 350 and will shed the 80 people after the completion of a £2m re-equipping of its blending and spinning facilities.

Mr Philip Green, group managing director, said the modernisation programme should be completed by the end of the year.

Although output will remain the same, increased efficiency will mean that ultimately fewer jobs remain.

Mr Green said the company expected to absorb "all or most" of the job losses through natural wastage.

Coloroll expanded rapidly through acquisition during the 1980s. The company has already rationalised the carpet interests that it acquired with Crowther.

Last year it made 250 people redundant at its carpet mill at Bradford.

# Public housing orders show big downturn

By Lynton McLain

STRONG evidence of the downturn in private and public building work this year emerged yesterday from the Environment Department.

Public housing orders in Britain in the three months from February to April 1989 were 28 per cent lower than in the three months to January and 22 per cent lower than in the same period a year earlier.

New orders in the private housing sector in the three months February to April 1989 were 20 per cent lower than in the previous three months and 15 per cent lower than in the corresponding period a year ago. Contractors received 7 per cent fewer orders by value for construction work in Britain, compared with the previous three months.

Private industrial construction orders were 15 per cent lower compared with the previous three months and 10 per cent lower than a year ago.

# Water industry's wildlife sites to be protected

By John Hunt, Environment Correspondent

SITES of special scientific interest, which provide a haven for rare plants and animal life, are to be given special protection under government legislation privatising the water industry.

That means that the privatised water companies will have to obtain the permission of the Environment Secretary before selling off land which includes SSSIs.

In extending the protection to such areas, the Government has reacted to pressure from conservation groups, including the Royal Society for the Protection of Birds, and from members of the House of Lords.

It had originally put down an amendment to the Water Bill safeguarding land held by water authorities – which will become the new companies – in national parks and areas of outstanding natural beauty.

But conservationists have persuaded the Government that SSSIs also needed added protection. Mr Michael Howard, the Environment Minister with responsibility for water, announced yesterday that an amendment to this effect would be put down to the bill.

It is estimated that there are 250 Nature Conservancy Council SSSIs on water authority land. They include reservoirs such as Rutland water, Grafham Water, Lee Valley Reservoir and upland catchments such as Elan Valley.

If the new water companies decide to sell off land as surplus to their requirements the Environment Secretary can order that it should first be offered to organisations such as the Nature Conservancy Council or the National Trust.

If these bodies do not take up the offer the Secretary of State can impose restrictions on the use to which the land is put.



فكرة المجلة

## UK NEWS

# Lloyd's members call for curb on 'open year' trend

By Nick Bunker

MANY members of Lloyd's of London might lose confidence in it if its ruling council fails to stop insurance syndicates leaving their accounts open, the Association of Lloyd's Members said yesterday.

The association, which has 8,000 members, said 83 of the Lloyd's syndicates, altogether numbering about 350, had so-called "open year" difficulties, affecting 133 separate accounting years.

The syndicates have been unable to close their books because of uncertainties about future losses. The number of open years has become "alarming and unacceptably high," Mr Anthony Haynes, association chairman and a director of Booker, the multinational trading company, said.

"Many members' confidence in Lloyd's could be undermined unless the grave problem of open years is urgently and vigorously tackled by the council."

Mr Haynes' comments came in the association's annual analysis of the Lloyd's market's profitability, based on results for 1986, the market's last complete accounting year. While official Lloyd's figures are not due until September, the association's figures show a healthy increase in the market's overall pre-tax profits, from £367m in 1985 to £838m in 1986.

The reasons lie in rising premium rates, a relative absence of weather disasters, and the relatively small number of air crashes.

However, Mr Haynes' accompanying remarks about open years look likely to anger leading members of the Lloyd's establishment, which is highly sensitive about being criticised over the issue. Mr Colin Murray, chairman of the Lloyd's solvency committee, is said to be looking at ways of reducing the number of open years.

The association says the 1986 Lloyd's results were "exceptionally good," and that 1987 is expected to have been "quite good."

On average, each of the 28,944 people who were members of Lloyd's in 1986 made a pre-tax profit that year of £1,317 for every £10,000 share in the market's total underwriting capacity. The overall £838m pre-tax profit represented a profit margin of 22 per cent of the net Lloyd's premium income of £3.75bn.

Association figures highlight the fact that many Lloyd's syndicates are putting unprecedentedly large sums into reserves against claims emerging from old insurance policies, mainly in the US.

The association says that in the 1986 accounting year Lloyd's syndicates had to add £147m to those so-called "prior years' reserves." About half was related directly or indirectly to the Outhwaite affair, in which the Outhwaite marine syndicate faces rising US asbestos and pollution claims.

There are also huge disparities between results from individual syndicates. The worst were UK motor insurance syndicates, which in 1986 were still suffering the after-effects of a price war. The best figures came from Mr Brian Beagley, of the R. W. Sturge underwriting agency, and Mr David Gilchrist of R. J. Kiln.

Mr Beagley's Syndicate 998 sells liability insurance and reinsurance for big airline risks, while Mr Gilchrist's Syndicate 557 reinsures insurance companies worldwide against "property catastrophes" such as storms.

**BEST AND WORST LLOYD'S SYNDICATES - 1986**

| Syndicate | Underwriter | Profit on £10,000 of capacity |
|---|---|---|
| **THE TOP THREE** | | |
| Sturge Aviation 998 | Brian Beagley | £5,305 |
| R.J. Kiln Non-marine 557 | David Gilchrist | £5,115 |
| Sturge Aviation 925 | Leonard Hudson | £5,073 |
| **THE BOTTOM THREE** | | **Loss on £10,000 of capacity** |
| Bellew Parry Raven Marine 891 | Ian Bell | £3,288 |
| Cassidy Davis Motor 815 | Jack Grayston | £3,118 |
| Monksfield Motor 325 | Ronald Kemp | £3,067 |

Source: ALM and 1988 Lloyd's Blue Book

# SE casts around for a new breed of chief executive

By Richard Waters

THE Stock Exchange is looking for a new chief executive in a move reflecting the fundamental changes it has undergone in recent years.

The incumbent, Mr Jeffrey Knight, will be leaving when a replacement has been found, said Mr Andrew Hugh Smith, the Exchange's chairman.

Mr Hugh Smith said that Mr Knight's impending departure followed discussions between the two of them. He declined to elaborate on the nature of the discussions.

"He has been here for a very long time and would like to expand into other areas," said Mr Hugh Smith, who paid tribute to Mr Knight's achievements in the past seven years.

He said the Exchange was taking advantage of the change of chief executive to redefine the role.

Mr Knight's successor will have more of a business responsibility. That contrasts with the job specification when Mr Knight was appointed seven years ago, at which time the job was largely a regulatory one, said Mr Hugh Smith.

Mr Knight was in Montreal yesterday at a meeting of the International Organisation of Securities Commissions, a body representing securities regulators around the world, and could not be contacted for comment.

Mr Knight, aged 53, qualified as a chartered accountant in 1966 and joined the Exchange a year later. He was head of the quotations committee between 1973 and 1976, becoming chief executive in 1982.

# Farewell to the City's discreet gentleman

**Richard Waters** examines the impact of Jeffrey Knight's career

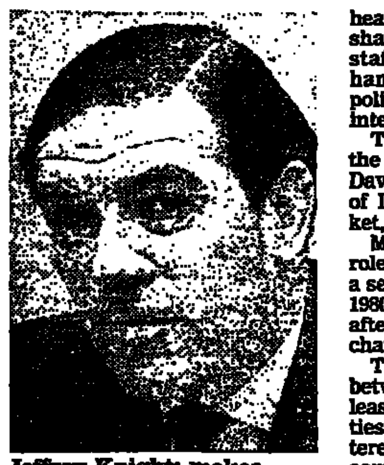
MR JEFFREY Knight, who is to step down as chief executive of the Stock Exchange after seven years in the job, has presided over fundamental changes to London's equity markets. He has also presided over a number of fudged solutions and untidy compromises that have left the Exchange facing some of the biggest challenges in its history.

Mr Knight's departure marks the end of one phase of the development of London's equity markets – the "Big Bang" reforms of October 1986 and their aftermath – and the start of another.

The timing does not appear to be coincidental. Mr Andrew Hugh Smith, chairman of the Stock Exchange, said yesterday: "During the the last seven years, the job has changed enormously. It has become more of a business responsibility, with a very large cost base."

When Mr Knight took on the job "the great emphasis was on the regulatory aspects," said Mr Hugh Smith. Since then, things have changed, and the Exchange is likely to be looking for a business manager able to take it through the next stage of its development.

Mr Knight took over as chief executive in March 1982, just as the Exchange's battle with the Office of Fair Trading over its rule book was hotting up. That led to the deal with the OFT which involved the ending of minimum commissions and of the division between brokers and market makers which was at the heart of "Big Bang".



Jeffrey Knight: makes way for businessman

The Exchange now faces the prospect of its role being severely eroded in several areas. Its failure in recent years to deal successfully with important issues, such as replacing its cumbersome and expensive method of settling and registering share transactions, has left it in a weak position.

Mr Knight's position has not been an enviable one. He does not have the same power that would be enjoyed by the chief executive of, say, a public company.

An Exchange spokesman said yesterday: "It would be more accurate to think of him as a managing director of the Exchange organisation, covering day-to-day concerns and implementing the policy laid down by the council."

In that he resembles the head of the Civil Service, marshalling the exchange's 2,800 staff and affecting policies hammered out in a highly political council of competing interests.

This contrasts sharply with the role adopted by Mr Ian Hay Davison while chief executive of Lloyd's, the insurance market, between 1983 and 1985.

Mr Davison took a leading role as Lloyd's recovered from a series of scandals in the early 1980s, and eventually resigned after a power struggle with the chairman.

The difference in the roles between the two men is due at least in part to their personalities. Although both are chartered accountants and both are sometime chief executives of leading City markets, Mr Knight and Mr Davison are poles apart: the former a model of the discreet City gentleman, the latter of an iconoclastic outsider.

Mr Knight's successor is likely to be different again. The Exchange saw its operating costs rise by a hefty 15 per cent last year to £180m, while its income declined marginally to £196m. The new chief executive will face the task of reversing that trend at a time when the Exchange faces competition from all sides.

The biggest challenge is whether, with its current way of doing business, the London market can maintain its position as Europe's leading equity market.

Critics claim that its system, based on competing quotations from market makers, has fundamental flaws which, in spite of attempts at fine tuning, cannot be overcome. Its reliance on a paper-based trading system also threatens its competitiveness.

However, the new chief executive will find it difficult to take a robust attitude on these issues. The political crossfire that breaks out between the Exchange's members every time an issue like this raises its head places its top officials in a difficult position.

An executive in one member firm, commenting yesterday on the continuing search for agreement to the paperless trading debate, said: "I feel sorry for Andrew [Hugh Smith]. He has a lot of people to keep happy. It would be a lot easier if he could just say: 'this is what will happen,' like the French."

London's market makers quote firm two-way prices on the competitive Seaq system. They enjoy certain privileges for taking on this role. That contrasts with the order-driven system in use in New York, where investors' orders are brought to the market by brokers and where trades are effectively matched by "specialists".

The largest market makers are not happy with the London system. They want to amend the rules to drive away what they claim are "fair weather" competitors, retaining privileges only for those which can meet certain performance criteria: in short, say the critics, themselves.

Evidence suggests that the rule changes introduced earlier this year to reinforce the position of the largest market makers have done little to improve the liquidity of the market, but has hindered transparency – there is no longer immediate reporting of large transactions. The result could be a long-term loss of business.

The Exchange's role as a central market is not the only thing under threat. Its position as a supplier of information about listed companies is also likely to come under increasing threat from competitors like Reuters.

The Exchange publishes price sensitive information about listed companies through its company news service. Others now want to be able to publish this information at the same time that investors can see it on the Exchange's commercial information service, Topic.

The OFT is examining this area to see whether the Exchange is abusing its role. By next year, it claims that it will treat Topic and competitors in the same way, giving them all equal access to the same information.

The Exchange does not reveal its income from providing information. However, together with settlement services it accounted for nearly two thirds of its £196m income last year – and, unlike settlement activities, which have suffered from the decline in the volume of business done on the Exchange in the wake of the 1987 crash, income from information is growing.

In an environment like this, it should come as no surprise that the Exchange now sees itself as more of a business than a regulator, and wants a chief executive to match.

# Plastics pessimism may point to downturn in manufacturing

CONFIDENCE about levels of business over the next year in Britain's £10bn-a-year plastics industry has fallen significantly in recent months, according to a survey by the British Plastics Federation.

That may indicate generally poor prospects for 1989 and 1990 for much of the country's manufacturing sector. The UK plastics business is strongly linked to a number of important production sectors, including vehicles, packaging, consumer goods and construction.

Any perceived fall-off in demand from those big customer industries would be expected to feed through to the expectations of the plastics sector itself.

The UK plastics business includes several hundred companies involved in supplying materials and equipment and in processing raw chemicals to make finished items.

Like much of the general chemicals sector, the plastics business has benefited over the past year from high demand and generally good profits. Production of plastics materials in Britain in 1988 rose by a healthy 7.5 per cent.

However, according to the federation's survey, the outlook for the plastics industry in 1989 and 1990 appears relatively unpromising. The mood of the industry is significantly more pessimistic than when the federation carried out its last survey six months ago.

The latest study is based on reports from 152 companies in the plastics industry representing a total turnover of some £3bn, or roughly a third of the sector's total annual sales.

It says that investment plans in the industry are less bullish than over the past few years and that relatively few companies expect profits to increase.

Among materials suppliers, only a third of the companies in the survey reported an increase in plant and machinery investment over the past 12 months, the lowest proportion for five years. Only 14 per cent of the group think profits will improve in the next 12 months, while more than half are expecting lower returns.

Of the the group of companies in the processing sector responding to the survey, only 39 per cent expect to increase capital investment over the next 12 months. That compares with the 67 per cent that six months ago said they were planning an investment rise.

Among machinery makers, which account for only a small proportion of the plastics industry, the view of the future is more optimistic. Companies expect profits to increase.

*Spring Business Trends Survey, British Plastics Federation, 5 Belgrave Square, London SW1X 8PD. £25 plus £1.95 p & p (free to members).*



# BSB to campaign against Murdoch role in media

By Raymond Snoddy

BRITISH Satellite Broadcasting has decided to launch a concentrated campaign against what it sees as the unreasonable degree of media power concentrated in the hands of Mr Rupert Murdoch's News International in the UK.

BSB will try to persuade the Government that Mr Murdoch should either be forced to sell some of his five national newspapers or reduce ownership to a minority stake in Sky Television, which launched four channels of satellite television in February.

Mr Anthony Simonds-Gooding, chief executive of BSB, said: "There is a loophole that is going to turn out to be very damaging. It's got to be blocked." BSB is a consortium of 10 shareholders including Pearson, publisher of the Financial Times.

BSB wants the Government to make its satellite rival Sky Television subject to new British legislation planned on cross-media ownership. That will stipulate that national newspapers cannot have stakes of more than 20 per cent in commercial broadcasting.

However, it does not apply to Sky, which is broadcast from a Luxembourg satellite outside UK jurisdiction. Mr Simonds-Gooding believes that Sky, which sends programmes from London, should be subject to UK law, since its service is aimed at British audiences.

BSB says it plans to approach the Government and is considering formal complaints to the Office of Fair Trading and the EC on competition grounds.

Mr Jonathan Miller, Sky Television's director of corporate affairs, yesterday accused BSB of trying to restrict the diversity that media projects such as Sky promoted. There were no barriers to entry in satellite television and there was therefore no justification for artificial restrictions.

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## BUSINESS LAW

# Employees sunk by a European lifebelt

**By Mark Homan**

In 1977 an EC Directive planted a time bomb in our employment legislation. When and with how big a bang it will go off depends on the timing and depth of the next recession.

This Directive (77/198) provided that on the transfer of an "undertaking, business or part of a business" the transferor's obligations under contracts of employment, or an employment relationship existing at the date of the transfer, shall be transferred to the transferee. It was carried into UK law by the Transfer of Undertakings (Protection of Employment) Regulations 1981.

The recent House of Lords interpretation of the regulations in *Litster v Forth Dry Dock Engineering Company*[1] will make business rescue by receivers more difficult and give rise to unnecessary job losses.

In cases where the purchaser wishes to retain the employees, or where both vendor and purchaser are solvent, the effect of the regulations in the UK is not extensive. They establish a consultation process and can avoid some occasional adverse effects on employees' rights.

An important side effect of the regulations is to reduce the price at which the business is transferred if the purchaser, and not the vendor, has the obligation to meet the entitlement of redundant employees. Where the vendor is insolvent, however, and the sale of business is by a receiver, the effect of the regulations is disturbing.

In many cases a business owned by an insolvent company can only be sold if there is a reduction in manning. If liability to the redundant employees falls on the insolvent vendor, the employees' claims are met to a large extent by the state. Where claims exceed the limits of statutory protection they rank for dividend in the insolvent company. The cost is shared between the state, the relevant employees, and other creditors who participate in a lower dividend.

If, however, liability falls on the purchaser, the sale may not take place at all. If it does, it will be at a reduced price. The *Litster* decision puts the liability on the purchaser.

At first, it was doubtful whether the regulation would automatically transfer to the purchaser those employees made redundant prior to the transfer of the business. After some inconsistent decisions in employment tribunals, it was accepted that the regulations only applied to employees actually employed at the moment of transfer of the business.

The practice evolved of *employees being dismissed* prior to the transfer and the purchaser re-engaging them as needed. The decision in *Secretary of State for Employment v Spence*[2] was taken as supporting the view that automatic transfer could be avoided.

*Litster* changes that by deciding that where the principal reason for the dismissal is an impending business transfer, the obligations of the employer to the employees dismissed will also be transferred.

For the application of this to insolvency, consider an example. A long-established business with 600 employees is placed in receivership. The receiver dismisses 100 employees early on and works fast to find a purchaser. The purchaser will take time to formulate his offer as, in view of the *Litster* judgment, he needs to research his potential liability to the employees, including those recently dismissed.

The business is worth £4m to the purchaser. But he expects to have continuing work for only 300 of the remaining 500 employees. Because of the automatic transfer, he will be liable for the claims of 200 at, say, £4,000 each, a total of £800,000. He also has some risk of possible claims from the 100 dismissed earlier and for the back-service entitlement of the 300 he engages, which will become payable if he cannot restore the fortunes of the business and later has to make them redundant as well. Allowing for these risks, he offers £2.75m.

Meanwhile the receiver is advised that the assets will fetch £3.25m at auction. His duty is to the debenture holder and the general body of creditors, not the employees (and if this were not so, it would be hard to raise credit in labour intensive companies). He must reject the offer and shut the business. The 300 employees for whom there was work will lose their jobs unnecessarily. The remainder will lose the chance of being re-engaged when the business has recovered.

And if the sale went ahead? The effect of *Litster* would be to promote the claims of the 500 transferred employees. These claims follow the business and are met in full by the purchaser, to the detriment of other creditors.

It may be presumptuous for a non-lawyer to ask whether their Lordships' judgment was correct. It is clear that their Lordships sought to implement what they saw as the purpose of the Directive. It is understandable that they saw the issue of dismissal notices an hour prior to the transfer as a device. But were they right to assume it was intended to apply to an insolvent employer?

In the words of Lord Oliver: "It may, I think, be assumed that those who drafted both the Directive and the Regulations were sufficiently acquainted with the realities of life to appreciate that a frequent – indeed, possibly, the most frequent – occasion upon which a business is transferred is when the original employer is insolvent . . ."

If their Lordships had themselves been sufficiently acquainted with the realities of life to appreciate the consequences of their decision, might they have reached a different conclusion about the draftsmen and their intentions? Nowhere in the Directive, or the explanatory memorandum, is there any indication that they had insolvency in mind.

Nor do their Lordships appear to have considered the case of *HBM Abels v The Administration Board of the Bedrijfsvereniging voor de Metaalindustrie en Electrotechnische Industrie*[3]. In *Abels*, the European Court of Justice decided that the Directive does not apply to a transfer of undertaking occuring in the context of insolvency proceedings instituted with a view to the liquidation of the assets of the transferor under the supervision of the competent judicial authority.

In fairness, their Lordships were not invited to consider *Abels*, but clearly it fundamentally undermines their tacit assumption that the Directive applies in insolvencies.

However, the *Abels* judgment did make it clear that not all procedures involving a suspension of payments fall outside the scope of the Directive. Procedures designed to reach a settlement with creditors are subject to the Directive and a further criterion for deciding whether the Directive applies is the extent to which the procedure is subject to judicial control.

While a receivership is not normally conducted under court supervision, its practical effect is almost invariably a sale of the assets and undertaking, as in *Abels*, and not a settlement with creditors.

Receivership is largely unknown in the rest of the EC and was not considered in that case. Had the court been considering a receivership and given a proper understanding of the receivership process, it might well have given effect to the Directive's purpose by excluding receivership from its terms.

Is there any way around the *Litster* judgment? The *Abels* decision supported the view that it is for national courts to decide whether a company is insolvent in accordance with national law. This guidance may provide sufficient scope for further regulations to take receivership and certain other procedures out of the scope of the regulations.

It is to this solution that the Department of Employment urgently needs to direct its attention, failing which, an amendment to the Directive needs to be fought for in Brussels.

The application of the regulations to insolvency following *Litster* is bad for employees and bad for business. Employees are protected under the 1978 Employment Protection (Consolidation) Act. To have an extra lifebelt so cumbersome that employees cannot get into the lifeboat is little short of madness. Let us hope that we do not have to wait for a new spate of major receiverships and extensive job losses before something is done about it.

*The author is head of the Price Waterhouse corporate reconstruction and insolvency practice.*

[1] *FT Law Reports, March 22 1989.*
[2] *[1987] QB 179.*
[3] *135/83, [1987] CMLR 406, ECJ*



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## MANAGEMENT: Marketing and Advertising

Varta batteries

# Power to the green movement

**John Hunt** explains how the company grasped an environmentally golden opportunity

The famous speech by Mrs Thatcher last September in which she announced her conversion to the cause of the environment acted like a starting pistol for commerce and industry in the UK. The race to produce environmentally friendly products was on and companies have vied with each other to convince the consumer that they are the greenest of the green.

In competitions of this kind the prize is often carried off by the small, lean organisation which is quick to react to the changing climate of opinion. This has been the case with Varta Ltd, the small British subsidiary of the giant West German battery manufacturer.

The UK company, which has only 300 employees, has used a skilful combination of marketing, advertising and public relations to establish a green image in the short space of nine months.

The British market for batteries is some 400m units a year, worth £250m. In April 1988 Varta had a 9.6 per cent share of batteries sold through grocery outlets, including supermarkets. But by playing the green card it had by April this year increased its share to 13.9 per cent.

The German parent is the biggest battery manufacturer in Europe and operates in a country which has the strongest green movement on the Continent. In July last year it launched a mercury free battery in Germany, Sweden and Norway. There is worry over the disposal of old batteries containing mercury which can be toxic in large doses. In Britain alone last year 48 tons of mercury from batteries was dumped.

But at that stage the scheme was not extended to Britain where the environment had not yet taken off as a major issue.

"We judged there was no demand in the UK at that time," says Chris Ash, marketing director of Varta Ltd. "It would not have worked. It would not have meant anything to the consumer."

But throughout last summer Ash watched the steady build-up of environmental issues in the media culminating in the Thatcher speech. He and John Dickinson, his managing director, decided that the time had come to act, particularly as they had the mercury free product ready to hand from Germany.

This coincided with a prominent article on green consumerism in the Today newspaper in which Varta was mentioned several times. When Ash read it on the morning of publication he immediately contacted Varta's advertising agency Madell, Wilmot Pringle. By 2 pm they had come up with an advertising concept and by 5 pm copy for a full-page advertisement was delivered to Today with the slogan "Like Today, we care about tomorrow."

From then on the campaign snowballed as the British company was given a free hand from the German headquarters in Hanover to seize the green opportunities in the UK. Working with its sales promotion agency, Teamwork Marketing of York, and public relations consultancy, Sara Pearson Associates of London, it initiated a widely publicised direct mail campaign.

This consisted of a green box containing a copy of the paperback Green Consumer Guide and a package of Varta "green mercury free batteries that don't cost the Earth." Five hundred of these went out on a list which included the Queen, Mrs Thatcher and show business personalities like Bob Geldof and Joanna Lumley. A wide spread of retailers also received them.

The whole campaign was conceived and carried out within four weeks. As a result Safeway, Sainsbury, Tesco and the Scottish chain, William Low, started to stock the product.

Other developments followed swiftly. "We did not have time for market research," recalls Ash. "We had to make our own decisions fast."

On Wales's St David's Day, March 1, a cadmium free battery was launched. Packages containing the new product, together with two fresh leeks (the Welsh national emblem), were distributed by courier. Cadmium, like mercury, can cause health dangers when dumped in bulk.

There have been variations on a marketing theme with packets of seeds enclosed with batteries and an "environment friendlier" package on recycled card with a free phial of fragrant pot pourri oil to put on dried flowers.

The company is now conducting a campaign targeted at women, who are believed to buy the majority of household batteries of the type used in torches.

Full page advertisements appearing in magazines feature a wistful baby and suggest the mother's responsibility for making the world safe for their children. This is backed up by a campaign to retailers with a box containing a teddy bear, "one small reason for stocking Varta."

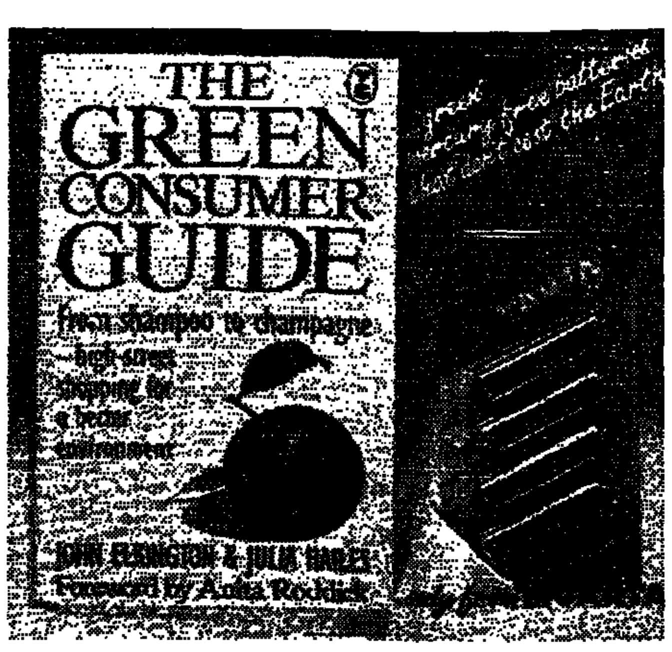
Ash finds that going green generates a good atmosphere in the company but stresses "I am a commercial animal in business to make money for Varta. The green movement has made a major impact on business. What we are doing is to try to keep that movement going, to develop and improve upon it."

The impetus of the campaigns has carried the company into a broader spectrum of environmental activities. It exhibited on the Green Kitchen stand at the Ideal Home Exhibition and sponsored the "Grocer Green Awards" given by the Grocer Magazine.

It increasingly adopted a green philosophy within the company. Its cars have gone over to lead-free petrol, recycled paper is used and the offices are no-smoking. The environmental dimension is taken into account when any decisions are discussed.

The success of the environmental campaign has been such that executives from the giant German parent have visited Britain to study the methods used.

At the moment Varta is looking ahead to a Christmas campaign but is keeping quiet about the form it will take. Are we perhaps going to see the greening of Farther Christmas?



Varta devised a special pack as part of its rapidly devised programme to promote its green batteries

# A discipline worth 'wasting' money on

Lord Leverhulme once said, or so the story goes, that half the money spent on advertising is wasted . . . the only problem is knowing which half is wasted and which is worthwhile.

The founder of Unilever made that observation many years ago, yet it still stands today. A survey of 49 senior managers' attitudes to marketing – commissioned by Rhino Communications, a young London marketing group – shows that 57 per cent of respondents consider that a significant part of the money spent on marketing is wasted.

The respondents were, however, slightly less cynical than Lord Leverhulme. Only four agreed that more than half of marketing expenditure is misspent. On average, they estimated that 18 per cent of the money was wasted.

When it came to identifying which area of communications would be most important to their competitiveness over the next five years, they opted overwhelming for advertising.

A quarter of the sample cited advertising as the most important discipline. Direct marketing was chosen by 13 per cent; public relations by 10 per cent; training by 8 per cent and sales promotion by 5 per cent. Design and internal communications were cited by 2 per cent.

The survey was conducted among the chief executives of the top 1,000 advertisers and analysed by BJM Research.

The respondents were drawn from almost every area of commerce, from publishing to property development. They spent an average of £10.4m on marketing last year, out of an average company turnover of £557m. Five respondents invested more than £25m in marketing in 1988, while three spent less than £500,000.

Unsurprisingly, advertising was the single biggest area of expenditure claiming 42 per cent of the average respondent's budget. Sales promotion absorbed 18 per cent; design and graphics 11 per cent; training 10 per cent; direct marketing 7 per cent and public relations 4 per cent. Exhibitions and internal communications both claimed 3 per cent.

Almost all of the sample expect to raise their marketing expenditure over the next year. On average they anticipated an increase of just under 30 per cent.

The respondents rely on the services of several consultancies for their marketing activities. Typically they use seven, although six split their budgets between more than 20.

*The UK Survey of Communications Spend 1989 is published by Rhino Communications at 14 Blacklands Terrace, London SW3 4UD.*

**Alice Rawsthorn**

# Why a good name cannot be taken for granted

Ever increasing competition is making hotels of all types look for effective marketing concepts, reports **David Churchill**

When Ruth Watson took over as co-owner with her husband of Hintlesham Hall, a luxury country house hotel and restaurant near Ipswich in Suffolk, from Robert Carrier in 1984 she was rather blasé about marketing.

"Robert Carrier had given us such a high public relations profile as a restaurant that I felt we didn't need to do any other marketing for the Hall," she recalls.

But Watson eventually realised that there was a world of difference between simple publicity and actual marketing. "I now realise that there is a difference. PR is all about showing off, while marketing actually produces the customers."

Watson, with the aid of a marketing consultant, has now started implementing a marketing plan aimed at luring leisure and business travellers to her country house and restaurant.

The consultant suggested, for example, that the personal assistants or secretaries to the top 100 business executives in the Suffolk/Norfolk area be introduced to the hotel and restaurant since they often decide where their boss will entertain or hold a small conference.

Hintlesham is also building a golf course (opening in 1991) and has recently added popular pursuits such as clay pigeon shooting.

"The lesson we have learnt is that you have to keep on working at your marketing all the time: for example, even many people in the local area still don't realise we are a hotel as well as a restaurant," she says. "And I think it takes four or five times as long as you plan to reach key targets."

Competition in the hotel market – especially at the top-end – has never been fiercer. The slump in the US dollar last year, for example, drove many Americans down-market in their search for value holidays in Britain, and the dollar's appreciation in recent weeks may still not be enough to make them want to pay top hotel prices in European hotels.

Already many of the leading international hotel chains – such as the Inter-Continental in Park Lane – have announced summer price cuts in order to fill empty beds. Yet at the same time London and some other popular UK tourist destinations are facing a serious shortage of budget-priced beds.

Peter Bates, marketing director of the Savoy Group and formerly in a similar post with the Mandarin Oriental Hotels Group, is in no doubt that hotel marketing has become more competitive in recent years. "Once hotel managements really began to realise that every extra percentage increase in occupancy rates went straight through to the bottom line, so they started paying attention to marketing."

He also points out that the peaks and troughs of numbers of international travellers in recent years – caused by such factors as recession and fears of international terrorism – have forced hotels to use marketing techniques to attract new customers.

Traditionally they have eschewed big advertising budgets. Instead, the main development in marketing techniques in recent years has been the spread of hotel marketing consortia. These offer individual hotels a joint marketing and promotional package which, it is claimed, offers the benefits of large-scale marketing without loss of independence.

Such consortia include Leading Hotels of the World, Pride of Britain, and Prestige.

Prestige, for example, represents 43 country house and city centre small luxury hotels. Potential consortium members are vetted by their peers and a two-thirds majority of members is needed before they can join. "Our standards are high," says Andrew Byrne, Prestige's chief executive. "Quite a few hotels have failed to get the necessary votes."

Prestige members pay an annual marketing fee related to the size of their hotel – which works out at an average of £7,000 – as well as a commission of 7 per cent on bookings directly resulting from Prestige's marketing efforts.

Byrne suggests that the biggest asset in belonging to such a consortium is the affinity of being with like-minded hotels. "Member hotels are seen to be part of an organisation of hotels of a similar quality," he points out. "To get this same message of quality across to their target markets would be very time-consuming and expensive as well as difficult." The sales support from Prestige, as with the other consortia, includes offices in target markets such as the US, Japan and continental Europe, as well as considerable below-the-line promotional activity, including familiarisation trips for travel agents, and organising special package deals such as week-end breaks.

The Savoy's Peter Bates also believes that much effective hotel marketing has to do with below-the-line efforts such as direct marketing, either using direct mail or links with airlines. "This is the tactical way of getting people into hotels all the year round," he says. Country house hotels, such as the Lygon Arms (part of the Savoy Group), now make special efforts to attract customers in the off-season, for instance with post-Christmas winter-break deals.

The Japanese and Americans are particular target groups: as part of the Savoy's marketing effort, for example, its award-winning chefs recently created a special cuisine for British Airways' First Class service to Tokyo and New York.

## TECHNOLOGY

# A clouded view of the global greenhouse

**Clive Cookson** explains why it is so difficult to model the world's climate accurately

Sun-scorched politicians pondering how to respond to the increase in the "green" vote in last week's European elections might be tempted to step up measures designed to combat the greenhouse effect. This would mean further restrictions on the burning of carbon dioxide-producing fossil fuels.

But their actions would be based on computerised predictions of the effects of global warming which are far from certain.

The tentative nature of all models of climate is illustrated by a halving of the amount of warming forecast by the UK Meteorological Office for 50 years from now, when the amount of carbon dioxide in the atmosphere is likely to have doubled. Instead of the 5.5 deg C increase predicted at the end of last year, its latest computer model suggests that the world's average temperature will rise by 2 to 3 deg C.

The reduction in the predicted warming, which could make the difference between disruption and destruction for agriculture in many parts of the world, is the result of changing the way that clouds are treated.

Although the greenhouse effect is now firmly on the world's political agenda, the branch of climatology on which the quantitative predictions are based is still in its infancy. And it is hardly surprising that such a complex system as the global climate is difficult to model accurately, even with supercomputers.

Five full-scale computer models of the climate, known as general circulation models, have a reasonable track record. Apart from the Met Office model, all are in the US*.

The five agree that doubling the amount of carbon dioxide in the atmosphere would raise the average global temperature by between one and four degrees. That would be enough at least to affect farming in many places and at most to cause catastrophic flooding through a rise in sea level.

However, what seems to be a reasonable measure of agreement between the models could be the result of their borrowing features from each other. The climatic modelling community "can be a little incestuous," says Brian Hoskins, professor of meteorology at Reading University. "The traditional comment has been that the models are more similar to each other than to the real climate, and it is true that there can be a lemming effect; if one group improves its model, the others rush to make the same change."

The fast-growing interest in the greenhouse effect is already bringing more funds and researchers into climate modelling. They will be working to improve many of the weak points of the current models. Priorities for future research include:

- Better representation of clouds. The recent change in the Met Office model was the result of treating clouds more realistically as a collection of water droplets. Small changes in the height of clouds can also make a big difference.
- More accurate modelling of the oceans and the way they interact with the atmosphere. Ocean modelling is primitive compared with atmospheric research and is an important source of uncertainty. The effect of the oceans' "thermal inertia", which could slow down global warming for several decades, remains speculative. Although the latest US ocean models produce eddies and currents – including something resembling the famous El Niño in the South Pacific – their sea surface temperatures are several degrees out.
- Regional climate changes. Although current models show the strongest warming near the poles and in places far from the sea, they give few useful clues about changes in rainfall patterns. For example, some models predict intensified monsoon rains over southern Asia, which could bring devastating annual flooding; others show a weaker monsoon – and a threat of failed harvests and starvation.
- Models which gradually add greenhouse gases to the atmosphere, as happens in the real world. Current models suddenly increase the amount of carbon dioxide – the standard test is to double it – and then run the computer until it reaches a new equilibrium.
- More sensitive statistical techniques to decide whether the climate is already being altered by the greenhouse effect. Although the average global temperature has risen by 0.5 deg C since 1900, most climatologists say it will take several years to prove that this warming is man-made rather than a natural fluctuation.

The atmospheric models which predict changes in climate over a period of decades are similar to those used to forecast the detailed weather a few days ahead. Any model must first be run for long enough to check that it simulates today's climate successfully. The conditions can then be changed, for example by increasing the amount of carbon dioxide (which raises the amount of solar heat retained in the atmosphere).

The Met Office version splits the atmosphere into a three-dimensional grid with 11 vertical layers and horizontal spacing of 5 deg latitude by 7.5 deg longitude. The computer calculates the wind, temperature and humidity at each grid point in simulated steps of 20 minutes, using complicated forecasting equations based on the laws of physics.

Even the best computer-generated forecasts cannot predict the development of actual weather systems, such as depressions and anticyclones, beyond 10 days or so. But if the model is kept running to simulate the passage of several years or decades, the results can be averaged out to give a valid picture of the overall climate.

The starting conditions are less critical for climate modelling than for weather forecasting because the climatologist is interested in the statistical average obtained by running the model over a long period. The Met Office model requires 40 hours of computer time (on a Cyber 205) for each simulated decade.

Because the climate model covers a much longer period than the detailed weather forecasts, it has to include extra variables. The oceans are particularly important as a long-term source and sink for moisture and heat. For weather forecasts, the sea surface temperature can simply be fed into the equations as a constant factor, but climate studies require a separate multi-layer computer model of the oceans, which has to be coupled mathematically with the atmospheric model.

The Met Office is combining its atmospheric models used for weather forecasting and climatology. Howard Cattle, head of dynamical climatology, says the unified version should be running by autumn 1990.

At the same time the European Centre for Medium-Range Weather Forecasts (ECMWF), based in Reading, is encouraging climatologists to adopt its model, developed at Reading University, to forecast the weather up to 10 days ahead.

"We have provided the model to a number of groups in Europe," says Lennart Bengtsson, ECMWF director. The largest group of scientists using it is at the Max Planck Institute in Hamburg.

Five UK institutions taking part in the Universities Global Atmospheric Modelling Project (UGAMP) plan to apply the ECMWF model to specialised climate research, using the Rutherford Appleton Laboratory's Cray X-MP/48 supercomputer. For example, Hoskins, of Reading University, has an EC contract to look at the likely effect of increasing carbon dioxide on European climate. He is particularly interested in changes in the "storm track" of depressions across the Atlantic.

"If the poles warm up more than the equator (as the computer models of the greenhouse effect suggest), the storms might become weaker and the storm track stop short of us," he says. That would allow cold continental air to reach the British Isles more frequently during the winter – and could make north-west Europe an exception to the overall global warming.

Many climate modellers agree intuitively with James Hansen, of Nasa's Goddard Institute, who contends that man-made warming is already starting to cause exceptional droughts and heatwaves. But few believe that he has sufficient scientific evidence

The consensus among climatologists is that they will not be able to prove that the greenhouse effect is heating up the globe before the mid to late 1990s. By then, today's computer models will be sophisticated enough to predict in some detail the effect on temperature and rainfall in different parts of the world.

** The US climate models are at the National Centre for Atmospheric Research, Boulder, Colorado; Geophysical Fluid Dynamics Laboratory, Princeton, New Jersey; Nasa Goddard Institute of Space Studies, New York; Oregon State University.*


This prediction by the previous Met Office climate model shows average temperature increases (deg C) during the northern winter (Dec - Feb) when the amount of carbon dioxide in the atmosphere is doubled. The latest version of the model produces a smaller overall warming effect than this, though the regional changes show a similar pattern

# Doctors track down the hay fever gene

A single abnormal gene is responsible for most cases of asthma and hay fever.

That surprising discovery, reported in the Lancet, should eventually lead to better drugs for clearing up the runny noses and watery eyes suffered every summer by an estimated 6m hay fever victims in the UK. And it could provide a means of preventing the asthmatic attacks which kill 2,000 people a year in Britain.

Research by Dr Julian Hopkin of the Churchill Hospital and Dr William Cookson of the John Radcliffe Hospital, both in Oxford, shows that a fault in just one of the 100,000 human genes predisposes people to "atopy" – allergy to commonly inhaled particles such as pollens, moulds and house dust mites.

The most common manifestations of atopy are hay fever (if the allergic reaction is mainly in the nose and eyes) and asthma (in the bronchial tubes). The same gene may also be responsible for atopic eczema (inflammation of the skin).

Through genetic studies of 500 members of large families who suffer from hay fever and asthma, the Oxford researchers have found the general location of the abnormal gene "on the long arm of chromosome 11." The Asthma Research Council financed the project.

The next stage of the research will be to identify the gene precisely. It should then be possible to develop a highly selective drug to block its effects without causing side effects.

The present generation of drugs to treat hay fever (steroid nasal sprays and antihistamines) and asthma (broncho-dilators and steroids) are far from perfect. They do not treat the underlying causes of the disease and fail even to relieve all the symptoms.

Scientists have known for several years that people suffering from atopy produce excessive amounts of an antibody to pollen and other dust particles of organic origin. The reasons for the overproduction of this antibody (called IgE) have remained unclear, although hay fever and asthma tend to run in families and therefore must be at least partly genetic in origin.

Dr Hopkin says his studies show that the genetic fault on chromosome 11 is responsible for at least 70 per cent of hay fever and asthma – and probably a much higher proportion than that. About a quarter of the British population carries the defective gene.

It is remarkable that a single abnormal gene, which is responsible for such a wide range of undesirable symptoms, should be so common. The Oxford researchers say that the gene must have had evolutionary advantages to compensate for the miseries of asthma and hay fever, and they speculate that it may have protected against the gut parasites which until recently were a frequent cause of serious illness world-wide.

Commenting on the research, Dr Donald Lane, chairman of the Asthma Society, says: "What it shows is that the capacity for developing certain allergies is inherited. Whether a particular individual then goes on to develop asthma will depend on other factors, particularly environmental ones."

In the families studied by Hopkin and Cookson, 85 per cent of those carrying the abnormal gene showed some symptoms of atopy and 29 per cent had asthma.

Although the epidemiological evidence is not totally clear, many experts, including Dr Lane, believe that atopic symptoms are becoming more common. This may be because carriers of the abnormal gene are being exposed to more man-made allergens in the environment – pollen counts have fallen over the last two decades in many large cities.

Research by immunologists at the University of Tokyo shows that air pollutants, especially the tiny soot particles in diesel fumes, are adding to the effects of pollen and are at least partly responsible for the increasing incidence of hay fever in Japan.

**Clive Cookson**

CINEMA

# Bubbling – as in cauldron, not champagne

"Every time I come to work, it's Planet of the Apes" growls the son of the owner of Sal's Famous Pizzeria, an Italian-run outpost in a black-dominated part of Brooklyn.

Spike Lee's *Do The Right Thing*, which shocked the Cannes Film Festival by going prizeless when many fancied it for the Golden Palm, is a bubbling tragicomedy of race manners. Bubbling not as in "champagne" but as in "cauldron." On a hot, hot summer day in Brooklyn's Bedford-Stuyvesant district, different races mix, mesh and finally boil over.

The film ends in a riot and a killing: but its eeriest plausibility and keenest truth are that no one party is "to blame." America may be a melting-pot, says Lee; but stick a melting-pot out in a 100-degree heatwave and see what happens. By mid-morning it will spit and sizzle. By high noon or after, it will erupt.

Here, we have the hearty, *live-and-let-live* pizza boss (Danny Aiello); his spiteful, racist son (John Turturro); the scatter-heeled black delivery boy (Spike Lee) who keeps playing truant to rub ice-cubes over his gorgeous girlfriend (Ruby Dee); and the crazed black activist (Giancarlo Esposito) who resembles Groucho Marx and wants the Pizzeria to hang pictures of "brothers" (blacks) on the wall rather than Sinatra and Co.

It sounds like a recipe for cataclysm; it is. And even when this multi-episode, Altmanesque film lowers the heat with mellow comedy – Ossie Davis *as an odd-job man and* neighbourhood philosopher, the three blacks who prop up a sidewalk all day and quarrel about boxers ("F-- Mike Tyson") – we can still hear the rumble of a community barely off boiling point.

The climax, which begins with the smashing of a ghetto-blaster and ends with a lynching, is horribly credible in its spiral from the casual to the catastrophic. The skill of writer-director Lee, formerly of the gamey *She's Gotta Have It* (and the ghastly but obviously aberrant *School Daze*), is to make every scene double-edged. Should we laugh or shudder at the sequence where three racist tirades are surreally intercut, like an aria contest in an opera? Should we giggle or groan in dismay when a gang of laughing blacks turn a fire hydrant on a white man's open car?

The ambivalence runs right up to the two antithetical quotations Lee pastes onto the end credits. One, from Malcolm X, *tells us violence is justified in* the race struggle: the other from Martin Luther King tells us it is not. *Do The Right Thing* gives us no pat answers. Instead it pays us the rare compliment of leaving us with more questions than we started out with. (Perhaps this fazed the Cannes jury.) This is one cauldron from which the audience has to pick the bones itself. Commence picking.

| |
|---|
| DO THE RIGHT THING<br>**Spike Lee** |
| PELLE THE CONQUEROR<br>**Bille August** |
| MARRIED TO THE MOB<br>**Jonathan Demme** |
| THEY LIVE<br>**John Carpenter** |
| LA PETITE VOLEUSE<br>**Claude Miller** |

★

From a film that should have won the Golden Palm at Cannes but didn't to a film that did win the Golden Palm at Cannes (in 1988) but shouldn't. *Pelle The Conqueror*.

Bille August's sumptuous Danish epic, based on a novel by Nobel laureate Martin Andersen Nexo, is a sort of *Cold Comfort Farm* with Oscars on. (Yes, it also won the Best Foreign Film Academy Award.) Early-century Swedish peasant Max Von Sydow, lantern-jawed and well-lubricated, goes to Denmark with his young son (Pelle Hvenegaard) to find work. Here Dad's drinking habits do not win general approval; there is an atmosphere of "trooble oop at t'farm;" one strike-prone worker is near-fatally beaned with a rock; much mating goes on in, on or around haystacks; and Von Sydow's son consorts with a strange urchin who enjoys being whipped with nettles.

Meanwhile Von Sydow romances a woman whose husband is missing-presumed-dead at sea. Only – guess what? – he is still alive and returns.

No juicy plot twist is left unsqueezed in this shameless pastoral soap-opera, which makes *Jean De Florette* and *Manon Des Sources* seem minimalist. (And when father and son get the "Let's go to America" gleam in their eyes, suspicion grows that *Pelle The Conqueror Part II: The New World* is just around the corner.) My advice. Go for the scenery, the sweep and Von Sydow's Oscar-nominated performance. This last is a little masterpiece of bibulous vanity and chewy-vowelled grandiloquence. Leave the rest to be bio-degraded by movie history.

★

In *Married To The Mob*, a Cosa Nostra caper from director Jonathan Demme (*Something Wild*), Michelle Pfeiffer is on the run. Her husband has been shot by a vengeful *capo* (Dean Stockwell) and the *capo* is now setting his cap at the beautiful widow. Whither to flee? Surely only to New York. Here she can hide in the crowd, menaced only by the surprise eruptions of Stockwell's jealous wife (Mercedes Ruehl) and the attentions of an inept and over-zealous FBI man (Matthew Modine). But one day Stockwell himself arrives . . .

In a violent world, as Spike Lee taught us, tragedy and hilarity are a hairsbreadth apart. No tragedy in *Married To The Mob*: but the laughter has a bracingly manic edge. Relish scenes like that in which Pfeiffer, hemmed in by shopping trolleys in a supermarket, is threatened by Mrs Stockwell. "If I ever catch you and Tony together" she hisses – and completes her sentence by strangling a box of eggs from Miss P's trolley. Sometimes gestures speak louder than words. Much louder.

Dean Stockwell

Likewise in *They Live*, latest spawn of the spooksome mind of John "Halloween" Carpenter. Here a group of skull-faced extraterrestrials have taken over America and the cops cannot cope. It sounds like the same plot as *Alien Nation*. It is the same plot as *Alien Nation*.

But Carpenter does it better. The skull-faces of the aliens can only be seen with special X-ray glasses. (Otherwise they look normal). The glasses also reveal the subliminal messages in posters and on buildings: "Consume," "Conform," "Marry and Reproduce." In this "1984"-style new world the harassed police maintain their usual refinement, saying things like "It would be easier if we don't have to splatter your brains." The hero by contrast (Roddy Piper) maintains no refinement at all. His verdict on the proceedings: "Life's a bitch. And she's back on heat."

Not so much fast and furious – more medium-pace and furious – *They Live* is a dapper fable full of the low-budget surprises Carpenter used to spring in the good old days (*Dark Star, Assault On Precinct 13*) before producers gave him too much money and critics too much conceit.

★

Five years after the director's death, France is full of Truffaut hounds. They snuffle through the undergrowth with script-sensitive snouts. "Eureka!" they cry, in French with subtitles, as they dig up a stray screenplay Francois wrote but never shot. It is *La Petite Voleuse*. It is about a girl unloved by her parents who takes to petty crime and sexual promiscuity. And it is now filmed by Claude Miller starring Charlotte Gainsbourg, the pouting, gamine star of his last film *L'Effrontee*.

It resembles nothing so much as "Les Quatre Cent Coos." "Coo!" we cry as this waif's progress sallies on from one chic enormity to the next: shoplifting, the seduction of an older man, a near-abortion, a fork stuck in a fellow remand-home girl's hand, a bit of lesbianism. We wonder where on earth it is all going. Nowhere is the short answer. But Gainsbourg's mutinous charm sometimes lends an illusion of pith and purpose to a film that badly needs the real things.

Today, as much as Truffaut hounds, we need video dogs. They could sniff out the true movies from the ones destined, now or soon, for the fast-forward button. Such are *Dead Bang* (18, Warner West End) and *Fair Game* (15, Odeon Kensington). (Even the titles seem interchangeable.) The first stars Don Johnson in a thriller about neo-Nazis in the Mid-west, dottily scripted and directed by John Frankenheimer. The second is "How To Avoid The Black Mamba Planted By Your Ex-husband In Your Los Angeles Apartment." This stars Trudie Styler as a sculptress trapped for 80 minutes with something long and slithery. And that's just the script. Mario Orfini artily directs.

*At the Sixth Piccadilly Film Festival* (Metro) you can forget all this and meet the new and numinous. British premieres include Mickey Rourke in *Homeboy*, a cult American "teen pic" called *Heathers* and the immortally titled *Reckless Grannies*. Plus a retrospective called "From the Sacred to the Profane" which invites films like *Black Narcissus*, *Theorem* and *The Milky Way* all to the same party. Join it yourself.

**Nigel Andrews**

# Hélène Delavault

LILIAN BAYLIS THEATRE

The Almeida Festival has expanded a little into the neighbouring Lilian Baylis at the back of Sadler's Wells, and the return of Hélène Delavault, one of Peter Brook's Carmens and an expressive mezzo of uncommon poise and dramatic flair, is a cause for comment and rejoicing.

On her three previous Almeida Festival visits, my musical colleagues have exhausted their superlatives. I am required to take up the refrain, or dash their recommendations to pieces. You will have no dashing of me, except in respect of the material itself.

*La Republicaine* is a compilation of songs written after the storming of the Bastille. The programme informs us, as Simon Schama's otherwise comprehensive new account of the French Revolution, *Citizens*, does not, that 198 songs were printed in 1791, 305 in 1792, 505 in 1793 and 701 in 1794. The trouble is that not one of them, evidently, is a patch on "La Marseillaise," the unquenchable hymn commissioned from the young army engineer Rouget de Lisle, which crops up here in two of the myriad send-ups it prompted, an anonymous feminist tribute to George Sand, given with florid, Chopinesque accompaniment ("Tremble you tyrants in trousers"), and a gastronomic blow-out for the soldier's homecoming.

Delavault attempts to galvanise the indifferent material by presenting it as the cabaret of an avenging siren. She invokes Condorcet's injunction in the Legislative Assembly to share everything, "even our wives," and swirls about in figure-hugging red chiffon like a svelte parody of Delacroix's Liberty Leading the People, her breasts just as prominent.

In Bicentenary Year, the Revolution is chic, which allows for the inclusion of a 1961 Cuban song of defiance by Sarah Gonzales, and the haunting ballad, "Le Temps de Cerises," which dates from the Paris Commune in 1871. But the singer wants to be siren and victim, and the banal music of Marie-Antoinette (to a text of Florian), together with the more touching but equally banal account by Madame Cléry (the wife of King Louis' valet) of monarchical domestic misfortune, is rightly ditched in favour of the Brecht/Weill "Song of Jenny" from *The Threepenny Opera*.

I am not going to make comparisons with Ute Lemper's weekend Weill recitals except to say I would not have missed either lady for the world. The art of the dramatic chanteuse is far from dead, and we have not even yet seen Milva in London. The recital is repeated tonight, tomorrow and on Saturday. A competent trio of accompanists is led from the piano by Stéphane Litch, and the acoustics of the Baylis, previously tested by the robust singing of Denis Quilley in an oddball American comedy, prove dry and sympathetic.

**Michael Coveney**

Alastair Muir

Hélène Delavault

# Balanchine and the Kirov

**Alastair Macaulay reports from Vancouver, where the Soviet company gave its first performance in the West of the choreographer's work since 1924**

George Balanchine, the supreme choreographer of our day, was an American artist born and trained in Russia. Since his departure for the West in 1924, Russia has had only occasional glimpses of Balanchine choreography, performed mainly by American, sometimes unofficially by Soviet, companies. Earlier this year, after long negotiations, the Kirov Ballet presented a Balanchine double bill – *Scotch Symphony*, staged by Suzanne Farrell, and *Theme and Variations*, staged by Francia Russell.

*This may be less newsworthy than Rudolf Nureyev's return to see his mother or Natalia Makarova's to dance with the Kirov, but, because of* its implications for choreographic tradition and for Soviet dance aesthetics, it would be hard to imagine a dance event today of greater historical significance.

The choice of works was witty. The Kirov today is the most valued exponent of 19th century narrative classics, and both these Balanchine works build brilliant modern variations on 19th century ballet themes. *Scotch Symphony*, made to the Mendelssohn score in 1952 for New York City Ballet, keeps saying "not *La Sylphide*, not by Bournonville;" *Theme and Variations* was made for American Ballet Theatre in 1947 to the last movement of Chaikovsky's third orchestral suite. Both of them gather, in terms of musical and structural complexity, dramatic suggestiveness and dance brilliance, until their moment-by-moment grip on you, and their overall vaulting architecture, seem at once diabolical and angelic.

The Kirov stagings beautifully underline the themes which Balanchine took as his premisses: *Scotch* is given before a *Sylphide* – worthy view of a Scottish glade, *Theme* before a glorious view of the Maryinsky (Kirov) Theatre auditorium, seen behind a transparent white curtain. Recently in Vancouver, at the start of the Kirov's current two-month North American tour, I witnessed its first Western performance of the two ballets.

It is widely acknowledged that New York City Ballet, which Balanchine formed, and the Kirov, which he left behind, are the two greatest homes of ballet classicism in our day. But too little analysis has been made of the yawning gap between the two styles (or between the Kirov and most Western styles), especially in terms of placement, turn-out and timing.

Certainly the Kirov are not yet complete Balanchine stylists. In the killingly hard *Theme and Variations*, the comparison to the recent Sadler's Wells Ballet staging is instructive. SWRB legwork has more ease of turn-out, and its musical time-keeping is more correct; the company copes with all the bravura without apparent misery. By Balanchine standards, however, I find the effect as yet slightly soft and demure.

In Vancouver, the Kirov dancers – nervous and jetlagged, no doubt – showed every kind of strain. Never have I seen this company so challenged, and it was easy to find fault. There were fixed facial expressions – to brand some fast sections as "jubilant," other slow ones as "dolorous" – expressions which then sagged as each daunting variation neared its end. The lustrous Altinay Assylmuratova could not yet command all the turns of the ballerina role. Beside her, the powerful dancing of Konstantin Zaklinsky began to blur amid his part's more demanding turns and jumps. The dancers' weight, like SWRB's, is set too far back for Balanchine, and both companies should use faster tempi.

But how gorgeous to see the full-bodied singing tone of these grandly-trained Leningrad artists radiating proudly out from deep in their waists. The sheer stance of both Assylmuratova and Zaklinsky is among the most erect at the Kirov (where many a waist has been over-arched by post-Vaganova training), and from the opening steps their limbs gleamed. The taut vitality of the Balanchine phrase was present. I was impressed to see how far Kirov legs have already advanced towards full Balanchinean turn-out and Kirov timing towards Balanchinean rhythmic accuracy.

In *Scotch Symphony*, a less murderous ballet to dance, the Kirov dancers also have room for improvement in turn-out and allegro control. But the ballet was already alive, and I admired in particular the way the Kirov dancers here had been encouraged, when under pressure, to eschew incidental academic correctness in favour of the deep rhythmic pulse and overall impetus of Balanchine style. No small victory, this, among the marmoreally scrupulous Kirov.

Yelena Pankova was deft in the ballerina role, well partnered by the able but slightly fey Yuri Zhukov. The Kirov's newest darling, the blonde Larissa Lezhnina, was adorably lucid as the female soloist.

Doubtless the *Theme and Variations* production will become less effortful, more diamantine, during the company's North American tour. Still, in Vancouver, as variation followed variation, it showed already a remarkably acute understanding of the many facets of the diamond. I was very moved to feel its grandeur, its incisiveness, its extraordinary historical resonance.

# The Burning Fiery Furnace

ST JAMES'S, PICCADILLY

The experience of seeing Britten's Church Parables in his home territory, surrounded by the Suffolk fens at twilight, spoils one for any subsequent performances. These are pieces typical of the composer's later years, when the boundaries of his musical world gradually retreated to those people, places and events most personal to him.

Impressed by the traditional Noh plays he had seen in Japan, Britten sought to recapture their spirit in his own work, but with the religious background transferred to Christian soil, and East Anglia in particular. The result was a trio of minor masterpieces, unlike any other: each Church Parable is a sort of medieval mystery play, fashioned from stylized oriental gestures and Eastern timelessness.

The precision with which his faithful group of performers pinned down the style of this unique art-form is important, for it has proved difficult to replicate since. Kent Opera brought their production of the second of the parables, *The Burning Fiery Furnace*, to London on Tuesday, but immediately started with the disadvantage that their chosen venue, St James's, Piccadilly, is sited in the midst of traffic noise and general urban bustle.

Like most recent groups, they also gave the work a push – or to be fair, a nudge – towards conventional opera. (Their two performances, both on the same evening, were indeed part of the London International Opera Festival.) This meant that the elements of ritual, so central to the original concept, gave way to a more standard acting style in Ian Watt-Smith's production.

As *The Burning Fiery Furnace* is the most richly imagined of the three parables, this was not perhaps a major problem (though the designer, Mark Hinton, had certainly had fun with the "image of gold", seen as a giant gilded bird with massive open beak and human hands). The singing also made up in strength what it lacked in verbal point, with David Johnston and Richard Suart leading the cast and a well-balanced trio in Gwion Thomas, Robert Horn and John Rath. Timothy Dean led a very acceptable instrumental ensemble.

In this setting, though, there was no inclination to ponder the work and accept its slowness and strangeness on its own terms. At Aldeburgh, where Kent Opera gave it the day before, it might all have seemed so much more moving.

**Richard Fairman**

# Emmylou Harris

HAMMERSMITH ODEON

Emmylou Harris popped into London on Monday night with her Hot Band to pep up the sprawling Capital Music Festival. Ms Harris can justifiably claim to have started New Country years before the record business realised that there was a market for gutsy country music without the "daddy's dead drunk, mummy's dead, and the dog's got mange" overtones of traditional Nashville.

While Lyle Lovett and Nanci Griffith were growing up Emmylou gave the genre some respectability by raiding the repertoire of artists such as Bruce Springsteen and the Beatles, to say nothing of her louche early mentor Gram Parsons, adding a plaintive southern feel to sturdy rock songs. Now, approaching 40, she can wear her red cowboy boots, her tight jeans, and her tassled jacket, with pride as she ploughs through a 20-year repertoire.

At Hammersmith Odeon she was in nostalgic mood, treating her loving audience to some of the slower, heart wrenching, songs that would bomb out in the American fairgrounds that she regularly tours. Few performers could end on such a melancholic note as "Boulder to Birmingham," the ultimate song of departure, which climaxed her two-hour set.

It is these songs that best suit her haunting, soulful voice. When she turns up the volume and the pace with homages to Chuck Berry in "C'est la vie" *and other mild rockers*, some of her individuality is lost. You can't quite believe in this tall, stately figure when she craves "Two more bottles of wine," but she storms through such material, thanks to one of those superb backing bands in which macho posing is replaced by musical professionalism.

Her guitarist, Frank Reckard, tubby and balding, might look like a small-town sheriff but he can out-shoot most rock guitarists with their own riffs, and the drumming of Billy Thomas was exemplary.

Emmylou does not plumb any great depths in her polite pleasing of her fans but on a summer's evening there can scarcely be a popular artist that, with her lucky mix of striking looks, strong, spine-chilling voice, well chosen repertoire and skilled band, can guarantee such a good humoured, melodic, experience.

**Antony Thorncroft**

# ARTS GUIDE

June 16-22

EXHIBITIONS

**London**

**The Tate Gallery.** Cecil Collins and F.E.McWilliam – retrospective shows side by side of two senior British artists: both shows until July 19; McWilliam sponsored by Ulster TV.

**The Hayward Gallery.** Art in Latin America – a rich and fascinating survey of the painting and sculpture that has come out of Central and South America since the early 19th century, which is roughly the period of the achievement of independence from the Spanish and Portuguese colonial empires. It presents an extraordinary cultural cocktail – political, anthropological and social besides purely aesthetic, with the volatile Latin sensibility set against the older and still persistent indiginous Indian cultures. Daily until August 6.

**The Royal Academy.** The Royal Treasures of Sweden 1550-1700. An exhibition that sounds somewhat dry and daunting but is in fact a wonderful spread of riches, beautifully presented, trophies drawn from across the whole of Europe in the time of Sweden's abrubt emergence as a European power. Daily until June 18; sponsored by Gamlestaden.

**Paris**

Carte Musées et Monuments sold in museums and Metro stations enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.

**Grand Palais.** The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social and political context of Europe as a whole. Closed Tue. Late opening night Wed. Ends June 26 (42895410).

**The Louvre.** Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.

**Galerie Schmit.** French masters of the 19th and 20th century. The traditional yearly exhibition in the three-storey town house shows the richness and diversity of the period covered. An exceptionally cheerful Courbet – the Sleeping Peasant woman with round red cheeks and a red bodice is only a few paces away from a small Corot, Games in Greece, poetical in its Italian light. Nicolas de Stael's flowers in a flat-rendered shiny red flower pot spread their green leaves in generous broad brush strokes against a black background next to Signac's ships leaving a harbour, where the mood and the subject are expressed through a multitude of carefully applied small pastel coloured dots. 396, rue Saint-Honoré (42603638), closed lunchtimes and Sundays, ends July 19.

**Galerie Odermatt-Cazeau.** Masters of the 19th and 20th century. A large Bonnard – La Place de Clichy – catches the bustle of a Parisian street. But while the brush stroke is impressionistic, the gentle melancholy tonality of blue-greys is personal to Bonnard. Changing the mood abruptly is the exhibition's *succes à scandal* – Chagall filling up space with themes of Jewish mystique around a signature of Hitler and spine-chilling symbols of Nazi domination. There is a Monticelli, the painter venerated by Van Gogh, with a still life of a lemon in vibrating yellow against dark, near-baroque shapes, a powerful, tormented portrait of Lucien Freud by Francis Bacon. Rue du Fbg.-Saint-Honoré (42669258). Closed Sun. Ends July 29.

**Amsterdam**

**Bonnefanten Museum.** The finest of the early Italain paintings in Dutch collections have been gathered in a show containing works by Duccio, Guido da Siena, Filippino Lippi, Bellini and Carlo Crivelli. Ends July 9.

**Brussels**

**Galerie Tzwern.** Aisinber: The Circle of Twenty (1884-1893). The Avant-Garde movement in Belgium. 36 Rue aux laines, The Petit Sablon. Closed Mon.

**Bibliotheque Royale Albert 1.** An exhibition to celebrate the library's 150th anniversary. Open daily ends July 15.

**Frankfurt**

**'Je Suis le Cahier'**, the sketchbooks of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York based Pace Gallery and sponsored by the American Express company, will have its second stop here in Frankfurt on the European tour. These fascinating sketchbooks, owned by Picasso's family have never before been shown in public. All styles and periods in his working life are represented here. These books cover around 70 years of his life; his start in Spain of the turn of the century, the cubism period before the First World War, and followed by the period from 1920 to 1965.

**Bremen**

**The Kremlin Gold.** The exhibition, jointly organised by the Bremen Uebersee Museum and the Moscow Kremlin Museum, will coincide with Mr Gorbachev's first visit to Germany this week. This presentation of around 80 pieces of Russian goldsmith's art covers the early Byzantine period through to the beginning of the 20th century. It shows the different styles of the goldsmith's art such as filigree and enamel work in the 15th century, colourful decorations with precious stones in the 17th century, followed by the European influence of the 18th century. Bremen Uebersee Museum, Bahnhofsplatz 13. Ends August 13.

**Cologne**

**Bilderstreit.** Rheinhallen der Kölner Messe, Messegelände. Deutz. The two organisers Johannes Gachnang and Siegfried Gohr, present "contradictions and contrasts as the essential source for the debate about contemporary art." This exhibition is in contrast to avant garde: it explains areas of action and attempts to provide an unprejudiced outlook on the current art scene. Approximately 1,000 works by 130 artists concentrate on art since 1960. The show should give a detailed view of different art styles, with "old classics" of modern art next to works by contemporary artists. Among them are Gilbert and George, Kasimir Malewitsch, Blinky Palermos, Carl Andres, Edvard Munch, Markus Luepertz, photographers Bernd and Hilla Becher, Joseph Beuys and Dadaist painter Marcel Duchamp, John Baldessaris and Georg Baselitz. There are also works from William Copley's collection by Duchamp, Man Ray, Max Ernst and Rene Magritte. Ends July 2.

**Vienna**

**Messepalast.** A thoughtful exhibition, called the History of the Modern Mind, deals with the works of Sigmund Freud as well as the plethora of artists who grew up in Vienna at the turn of the century. Ends August 6.

**Venice**

**Museo Correr.** French impressionists from the Mellon collection at the National Gallery of Art in Washington; more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.

**Rome**

**Galleria Nazionale d'Arte Moderna.** The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism, until Oct 2.

**New York**

**Whitney Museum.** The 65th in the long series of Annuals and Bienniales features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.

**Washington**

**National Gallery.** More than 400 images are part of a massive retrospective of the 150 years of photography, here represented by Alfred Stieglitz, Walker Evans, Laszlo Moholy-Nagy among dozens of others. Ends Aug 13.

**Chicago**

**Art Institute.** Master drawings from the Teyler Museum, the oldest in Holland, include nearly 100 works of two centuries by Michelangelo, Raphael and Rembrandt.

**Tokyo**

**Suntory Museum.** Wall paintings and screens from castles and temples of the Momoyama Period (16th century). The works are of two main types: sumie landscape paintings and colourful paintings on a goldleaf background, both displaying a bold mixture of Chinese and Japanese styles. Closed Mondays.

SALEROOM

# Faith in Pre-Raphaelites

A view of the Val d'Aosta in the Alps by John Brett, painted in 1858 and described by Sotheby's as "perhaps the greatest of all Pre-Raphaelite landscapes," justified the saleroom's faith in it by selling for £1.32m on Tuesday night. The artist was much influenced by the critic John Ruskin and painted the landscape under his instruction, but when it was hung in the Royal Academy 1859 Show it was unsold at £450. Ruskin subsequently bought it for £200.

It was naturally an auction record for Brett, and the anonymous buyer subsequently paid £407,000 for a haunting portrait of a young boy, Philip Comyns Carr, by Burne-Jones. Although the artist described Carr as his "worst little sitter," he used him as a page boy in "King Cophetua and the Beggar Maid" and an unfinished version of this famous painting, which is now in the Tate, was sold by Sotheby's on Tuesday for £319,000.

The surprise in the auction of 19th century European pictures, which totalled £7.7m, with 20 per cent unsold, was the record price of £1.485m. paid for "Grandfathers birthday" by the Austrian artist Ferdinand Waldmüller. This genre scene of an old peasant surrounded by his family and being entertained by his grandchildren was one of Waldmüller's most famous compositions, and he executed three versions, one of which is currently lost.

The auction had its disappointments, notably the failure of a major work by Caspar David Friedrich. Another Burne-Jones, "Flamma Vestalis", a portrait of a melancholic girl, sold for £341,000, and a Hammershoi interior of a young girl at the clavier for £220,000. A curiosity was a watercolour bought by the Victoria & Albert Museum for £33,000. It was painted around 1860 by Florence Anne Claxton and ridicules the whole Pre-Raphaelite movement through caricatures of famous paintings by the Fellowship.

Christie's enjoyed a saleroom battle yesterday when a Venetian Book of Hours of around 1470, undistinguished in itself, was fought over by two potential buyers who bid it up from its estimate of £10,000 to £330,000. Its attraction was the fact that the manuscript is made of vellum stained purple, now faded pink, which is exceptionally rare. It was bought by Quaritch.

The Harcourt emeralds, created for the Dowager Viscountess Harcourt by Cartier in 1920 from 15 large Colombian emeralds, sold for £1.87m at Christie's yesterday, a record for any item of jewellery sold at auction in the UK.

**Antony Thorncroft**

FINANCIAL TIMES
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Thursday June 22 1989

# Carving up Europe's skies

THE NEWS that British Airways and KLM, the big Dutch airline, are planning to link up with Sabena, Belgium's ailing national airline, is hardly reassuring for Europe's air travellers. In the US, deregulation of air transport resulted in a handful of companies controlling 90 per cent of the market. But at least the travelling public enjoyed a brief spell of low fares and intense competition. The danger in Europe is that competition will never occur because the mergers will take place before the European Commission has agreed an effective plan for deregulation.

In the past competition authorities in Brussels have tended to welcome cross border links. The tradition of national "flag" airlines is regarded as one of the main obstacles to greater competition. If small companies from several EC countries could band together, they might be able to challenge the market power of the big airlines. But the Sabena deal does not fall into this category. BA has reduced competition in the UK by absorbing British Caledonian and is already the most powerful airline in the EC. KLM is also a large airline with global ambitions.

## Attractive slots

BA, KLM and Sabena between them control a large number of the most attractive slots at airports in northern Europe. Mr Carlos van Rafelghem, chairman of Sabena, has said that the three airlines will continue to compete with each other. In reality, business liaisons nearly always alter behaviour – if they did not, they would serve little purpose. The competition authorities must stand ready to act if the grouping shows signs of abusing its considerable market power.

The risk is that this liaison will be followed by others. Mr Narcis Andreu, chairman of Iberia, the Spanish airline, has hinted at the attractions of a link-up with Lufthansa and Air France. It is no accident that these companies are shareholders in the Amadeus computer reservations system while BA, KLM and Sabena are participants in the rival Apollo project. In the US, computer reservation systems have proved immensely powerful weapons for enlarging market share. But it would be regrettable if computer hardware, rather than consumer preferences or fares, were to determine the future structure of European air transport.

## Slow progress

If the EC wants to avoid US-style oligopoly, it must accelerate its liberalisation programme. Progress to date has been painfully slow. In November, 1987 capacity sharing agreements were slightly weakened: the share of the market governments can reserve for their "flag" airlines was reduced from 50 per cent to 45 per cent. Market access was marginally improved for small airlines. These were steps in the right direction, but have not altered the structure of this cartellised industry.

The Commission must shortly submit plans for a second phase of liberalisation. These ought to be considerably more ambitious. It is difficult to see how any capacity sharing agreements can be squared with the principles underlying the 1992 programme. Member governments ought to agree that market shares will be decided by open competition. Fares might then fall to realistic levels and the artificial distinction between scheduled and charter flights might begin to be eroded.

But the removal of restrictions are a necessary rather than a sufficient condition for competition. One of the biggest obstacles to effective competition in the US has been the shortage of physical infrastructure. At most of the big "hub" airports, new entrants have been unable to get a foothold because of the shortage of gates and landing slots. Takeovers have been the only way of getting hold of these precious assets.

European airlines face similar difficulties. Sabena is prized by BA and KLM because of the slots it controls. Liberalisation of air transport in Europe will require tough decisions about the allocation of landing rights. Some reduction in the number of airlines is inevitable, but the power of the survivors can be restricted by keeping entry barriers as low as possible.

# Leninism and after

THERE IS a discernible pattern behind the rush of events in the Communist world over the past month. China's great leap backward will probably slow the pace but not fundamentally alter the direction of economic liberalisation. On the other hand, it has demonstrated that the Chinese Communist Party, as now led, intends to retain a monopoly on power, ideology and the definition of what constitutes democracy.

The reaction it has elicited from east European capitals has been revealing. The Soviet Union has stressed it is China's own business, and called for compromise. In differing intensities, the East Germans, Romanians and Albanians have accepted the Chinese official version. Czechoslovakia's party paper noted that the protests had a real base, but criticised the US for imposing sanctions. The Yugoslav response varied according to republic but generally criticised the Chinese leadership. The Poles and especially the Hungarians condemned it.

## Stalinist leaders

The non-reforming group – Albania, Czechoslovakia, East Germany and Romania – still have Stalinist leaderships. They may experiment with varying degrees of economic liberalisation but they see it as always and everywhere controllable by the party. All these states have the problem of an ageing ruling group, as does China, but, like China, they may be able to renew their leaderships by promoting younger men. In all, especially Czechoslovakia, the tensions which cannot be separated from the party's monopoly of power will tend to grow, but there is no reason at all to assume that these will be eased by democratic as against totalitarian means.

The Soviet Union has explicitly linked economic and political liberalisation and is pursuing both: but political liberalisation means a liberalisation of the Communist Party, a tighter definition of its role and – the hardest trick – its submission to the law. It is, or at least wishes to be, Stalinist no longer, but it still wants to be Leninist.

Yugoslavia's diversity defies easy categorisation, leaving only Poland and Hungary clearly on a pluralistic road. This does not mean to say they will arrive: it means that the reformist leaderships have accepted that they may lose power (not quite yet) and have opened a relationship with opposition groups. Their economic woes make political adventures more than usually risky. But, even after the great shock of the Polish elections, the reformers appear willing to slog on, the hardliners unable to deploy an alternative.

## Western models

These reformists, no longer practical Leninists, are using models drawn from western parliamentary systems, as well as their own political sense, to try to construct a corridor out of a fading authoritarianism into a pluralistic world whose features can be dimly glimpsed. They need western aid, but hold out in their turn the vision of a Europe "completing" itself by re-enfolding countries whose membership of the greater European family has been interrupted but is beyond question.

In the case of Poland, as Professor Bronislaw Geremek of Solidarity explained in London yesterday, the party has to be guided by Solidarity towards seeing a role for itself within a pluralistic system – or it could use its monopoly of armed force for another desperate fling. In Hungary, Imre Poszgay expresses from within the leadership a desire for pluralism. This would mean the dissolution of the ruling party.

Distinctions of this kind help to guide policy and avoid misunderstandings. Business everywhere could profitably emulate the vigour with which West German enterprises are now taking up the challenge of the slowly opening Soviet economy, and politicians everywhere can find an example in the openness of the dialogue which now exists between the Soviet Union and the West German government and opposition parties.

But in the cases of Poland and Hungary, countries which are making fundamental political reforms, a deeper response is required. They are now asking the West what else must be done before help is forthcoming. It is a fair question.

# Richard Tomkins looks at UK car part makers

# In wrong gear for good times

Good news and bad from the motor industry in recent weeks has highlighted the difficulties facing Britain's car part makers.

First came the good news when Toyota, Japan's biggest car builder, chose Derbyshire as the site for its £700m European car assembly plant. The decision was seen as heralding good times for the component manufacturers, which are heavily concentrated in the West Midlands. Then in a study of the region's prospects, the Birmingham office of Coopers & Lybrand, the accountants, said many British suppliers would disappear over the next few years with extensive restructuring of the sector.

Toyota's decision and Coopers & Lybrand both highlight the same phenomenon: the trend towards a single global motor industry dominated by a small number of multinationals.

The trend is spreading to the components industry. Where car makers once employed multitudes of companies to supply countless individual parts, they are now beginning to employ fewer but larger companies to supply complete sub-assemblies. They are also delegating the design and development of components to these companies, often giving them single supplier status in return.

Coopers & Lybrand says the UK components industry looks dangerously exposed to this trend because it is characterised by a plethora of small businesses which have neither the resources to undertake research and development nor the capacity to become single suppliers.

Only six British component manufacturers have turnover exceeding £500m a year, and only two of these – Lucas and GKN – rank among Europe's 10 biggest suppliers. Conversely, there are 2,000 component makers in Britain with annual sales of less than £10m.

On the plus side, Toyota's decision to set up in Derbyshire illustrates the resurgence in UK vehicle manufacturing. UK output is expected to rise from last year's 1.23m vehicles to about 2m a year by the mid-1990s. But the consequent recovery in demand for components is exposing the weaknesses of an indigenous industry that has only recently emerged from a long period of retrenchment and decline.

In the foundries sector, for example, there are no independent British companies left with the capacity to meet the growing demand for engine blocks and cylinder heads.

Nissan's UK plant in Sunderland is building its own aluminium foundry to make heads for the Bluebird and Micra models. The blocks for Ford's new engine plant in south Wales will come from Eisenwerk Bruhl, the West German foundry group – either from West Germany, or from the Beans foundry in the West Midlands which Eisenwerk bought from Rover 18 months ago. The heads will come from Montupet of France, which is building an aluminium foundry in Belfast.

The only British foundry group that can still make heads and blocks – Birmid Industrial Products, part of Blue Circle – is for sale. Mr Malcolm Ray, the division's chief executive, explains: "The foundry industry is capital intensive, and to maintain and improve productivity, you need heavy investment. To justify that investment, you need long production runs, and to have long production runs, you need single supplier status.

"That means being big enough to have the research and development capability to convince your customer that you are at the forefront of technology: that you will provide him with a world-class product that nobody else can supply.

"We are simply not that big. In fact, I can say quite categorically that at our present size, we have a very limited future."

As in the foundries sector, so elsewhere in the components industry. In 1977, 43 of the UK's 60 biggest component makers were British-owned. Today, the figure has fallen to 28, and the number is dwindling further as more companies recognise the inevitability of throwing in their lot with the multinationals. In recent weeks, for example, Delanair – Britain's biggest supplier of car heaters and air-conditioners – has been bought by Valeo of France, and Armstrong's shock absorber business – again, the biggest in its field – has been bought by Monroe Auto Equipment of the US.

Overseas companies are keen to snap up British component manufacturers because they provide ready-made footholds in a country with low production costs and a fast-growing vehicle manufacturing industry. But where acquisitions are not available, the multinationals are setting up on greenfield sites.

The best-known recent example is that of Bosch, of West Germany, which announced in April that it was to build a £100m alternator plant near Cardiff. But scores of smaller-scale investments take place without hitting the headlines.

Last month, for example, Valeo announced that it was to build a £3m factory in Redditch, West Midlands, to make headlamp sets for the new Rover/Honda R8 range. Just 24 hours later, the same company said it was also seeking a Midlands site for a clutch-making factory, again in the hope of winning orders for the R8.

This month Rockwell Golde, the West German sunroof maker owned by Rockwell International of the US, commissioned its first UK plant in Birmingham. The plant has already begun supplying 2,500 pre-assembled sunroof kits a week to Vauxhall for the Cavalier.

British component manufacturers look parochial by comparison. Overwhelmingly dependent on a customer base comprising Rover, Ford and Jaguar, few of them have overseas manufacturing capacity and exports account for less than 10 per cent of their total output.

The clear danger for British manufacturers is that in tomorrow's global car market, the design authority for vehicles made in Britain will increasingly be vested overseas. The parts designed into these cars will then be those made by the multinationals – not by small British companies with no international presence.

But the outlook is not wholly bleak. Some of the biggest companies – GKN with its transmission equipment, Lucas with its engine management and braking systems, Pilkington with its safety glass – are already multinationals in their own right. Other, smaller, companies are reaching into the international marketplace through specialisation. AB Electronics, for example – highly regarded for its switches and sensors – is manufacturing in West Germany as well as Britain. BSG, already Britain's biggest manufacturer of vehicle mirrors, has subsidiaries in France and Australia, and is planning to open a plant in the US.

In addition, Midlands manufacturers of metal fabrications and plastic mouldings are geographically well placed to benefit from the just-in-time supply philosophy being adopted by nearby car makers. Concentric, the Birmingham-based engineering group, is investing heavily in training, computer-aided design and robots. It has already won contracts to supply Honda with aluminium alloy for its engines, Toyota with brakes for its racing cars, and Nissan with chassis components for the Bluebird.

To some extent, the likely effects of a shake-out in the UK components industry are overstated. Many Midlands widget makers may lose their contracts to supply the motor manufacturers, but will find themselves with contracts to supply the sub-assemblers instead.

Widespread fears of a Japanese onslaught are also likely to prove excessive – though they are understandable after the US experience, where the arrival of more than 300 Japanese component makers has routed a substantial part of the indigenous industry. Mr David Andrews, director of business development at Lucas Automotive, says the Japanese invasion of the US occurred because Japanese car makers arriving there could not get adequate supplies from the heavily integrated US automotive industry. They also found US suppliers overmanned and inefficient.

The European components industry is already closer to the Japanese model, he says. Political sensitivities would also impede an invasion. "Besides, setting up a completely greenfield site just to support one Japanese customer isn't economically viable. Why add more capacity to an already difficult marketplace?" Joint ventures and licensing agreements are likely to outnumber greenfield investments, Mr Andrews believes, though takeovers are also likely to feature: witness the bid for Llanelli Radiators by Calsonic, a Nissan associate, earlier this month.

Few, however, doubt that the UK components industry as a whole will ultimately be concentrated in fewer hands – and that those hands will increasingly be on the end of foreign arms. It is not mere chauvinism that makes some manufacturers doubtful about the consequences: it is also the fear of falling victim to the branch plant syndrome: the danger that multinationals now falling over themselves to set up in the UK will just as quickly move out again when UK production costs turn against them.

**Typical foreign investments in UK car parts**

| Company | Country | Product | Type of investment |
|---|---|---|---|
| **1986** | | | |
| Ikeda | Japan | Car seats | Joint venture with Hoover |
| Nihon Radiator (now Calsonic) | Japan | Exhaust systems | Joint venture with TI |
| **1987** | | | |
| Magneti Marelli | Italy | Lighting, alternators Electrical operations | Takeover of Lucas |
| **1988** | | | |
| Arvin Industries | US | Exhaust systems | Takeover of Cheswick & Bainbridge business from TI |
| Yuasa | Japan | Batteries | Joint venture with Lucas Automotive |
| Nippon-Seiki | Japan | Dashboard instruments | Greenfield |
| Eisenwerk Bruhl | W Ger. | Castings | Takeover of Austin Rover foundries |
| Bevalit-Plastik | W Ger | Trims | Greenfield |
| Plastic Omnium | France | Fuel tanks & bumpers | Greenfield |
| **1989** | | | |
| Valeo | France | Heaters | Takeover of Delanair |
| Monroe Auto Equip. | US | Shock absorbers | Takeover of Armstrong Equipment division |
| **Planned, uncompleted projects** | | | |
| Calsonic | Japan | Radiators | Takeover of Llanelli Radiators |

Also Planned Greenfield projects by **Bosch**, W. Germany (Alternators), **Montupet**, France (Castings), **Faure**, France (Car seats), and **Valeo**, France (Lighting & clutches)

## BOOK REVIEW

# A route for the excluded

**THE OTHER PATH**
**By Hernando de Soto**
*I.B. Tauris. £14.95*

Any free marketeer who seeks to occupy the moral high ground and advances prescriptions that claim to be the salvation of the poor and oppressed in the Third World invites a hearing. So many socialist ideals over the past three decades have been found wanting, and the free marketeers, for their part, have failed to remove the impression that their policies benefit élites and middle classes, not the poor who comprise the bulk of the populations in most developing nations.

That Hernando de Soto, a Peruvian economist, can both diagnose and prescribe for the ills of underdevelopment without resorting to the traditional language of the right and left explains the enormous success of this book. It has been a bestseller throughout Latin America, and has now been translated into English.

Although the book is a case study of Peru, the lessons hold good for almost every Latin American country and most of the Third World. Significantly De Soto has also generated interest in China (before the massacres) and the Soviet Union.

De Soto's point of departure is the massive migration of people from the countryside to Lima over the past four decades. To survive, these people have become "informals," operating along a grey frontier with the legal world.

For them, the cost of obeying the law outweighs the benefits of observing it. They break some of the laws, though not all, and are distinct from deliberate criminals such as drug traffickers.

The author's investigations through the Instituto Libertad y Democracia, which he heads, led him to the astonishing discovery that 42 per cent of all Lima housing has been built by illegal settlers. The retail distribution of popular consumer goods is dominated by over 91,000 street vendors who maintain some 314,000 dependants. Of the 331 Lima markets, 83 per cent have been set up by informal traders; while the city's fleet of urban transport is controlled 93 per cent by informal operators.

Average earnings from these activities are below the minimum prevailing in the legal economy. But, De Soto claims, the informals reveal a ferocious desire to succeed in the face of huge adversity.

Rather than blaming this state of under-development on traditional scapegoats like the transnationals and foreign banks, he looks for the fault within Peru's own system. By looking at three principal areas of informal activity – housing, popular retail trade and transport – he demonstrates that the odds are impossibly stacked against poor individuals ever being legal players in the formal economy.

For instance, if playing by the rules, a group of low income families would be obliged to spend nearly seven years to obtain the right from the authorities to build on a vacant site. To possess even a street vendor's licence takes 43 days of commuting between bureaucracies and costs the equivalent of 15 times the minimum monthly wage. To set up a small clothing plant was found to take 289 days, plus the navigation of 10 solicited bribes.

To incorporate the informals, De Soto argues that the first priority must be to ensure there are "firm property rights, reliable transactions and secure activities." This should be followed up by simplifying laws and allowing a greater role to private initiative within a framework of decentralisation and deregulation. By deregulation he means "depoliticising the economy from the manipulation of redistributive combines" and from politicians.

He also maintains that the rulers must admit more discussion of laws before they are promulgated (most laws are introduced by decree) and concern themselves with the total costs of doing business (including distribution) rather than confining their interest to the costs of production.

This is the The Other Path to follow and failure to act now, De Soto believes, will help the Maoist guerrilla organisation, Sendero Luminoso (Shining Path) whose violence is spreading across Peru like a cancer.

De Soto has the merit of trying to practise what he preaches and is actively involved, through his institute, in promoting, for instance, a computerised register of informal dwellings and persuading banks to accept such title as security for loans. But the ultimate truth which he lays bare – and which few in the Third World admit – is that the barriers to transforming society lie as much with the right as the left. The formal business sector, a traditional supporter of right-wing governments, prefers "capitalism without competition, a combination of state support and private control – mercantilism."

Mario Vargas Llosa, the Peruvian novelist who is standing as a presidential candidate for the centre right, has written an introduction fully endorsing these ideas and the book is, in effect, his electoral platform.

If he wins next year he will face a conflict between being the champion of the marginalised informals and the expectations of the traditional business community which regards him as a protector.

**Robert Graham**

# OBSERVER

## No change of guests

■ The Labour Party is putting it about that, following its success in the European elections last week, it is suddenly being overwhelmed with invitations to City lunches. And indeed this would be a useful barometer to measure a change in the political weather. But it is not quite true.

According to the bigger City institutions, contact with the Labour Party has never been lost, despite the years of opposition. Figures such as John Smith, the shadow Chancellor, Bryan Gould, the shadow Secretary for Trade and Industry, and the younger Tony Blair have been quite frequent visitors to City lunch rooms over the years.

"It's a two-way process," said a senior member of a clearing bank. "They like to come, and we like to see them. Besides," he added, "quite a lot of us in the City can remember working with a Labour Government."

"It might be different with the smaller institutions," the man said. "But you wouldn't expect them to try to get into the act until around the autumn."

Another barometer test is the cover story of American news magazines, which from time to time flash the message that the mood of Britain is changing. That hasn't happened yet either, but it will cast quite a tremor if it does.

## Unhappy past

■ Bombardier, the Canadian company which recently purchased Short Brothers of Northern Ireland, must be hoping that its latest initiative works out better than its first sortie into the emerald isle.

In 1979, the group joined forces with General Automotive Corporation (GAC) of the US to manufacture buses for Coras Iompair Eireann (CIE), the Republic of Ireland's transport company. The vehicles were assembled at a plant in Shannon. Originally, 749 were to be delivered over seven years.

Problems began to dog the venture, however, from the moment when – on November 10, 1980 – the first bus to be built at the plant broke down within a few minutes of taking to the open road. Albert Reynolds, then the Irish Minister of Transport and now the Finance Minister, was on board.

Cutbacks at CIE followed and Bombardier eventually sold its 51 per cent stake in the venture to its US partner in 1983. Three years later the company went into liquidation.

## Fair voting

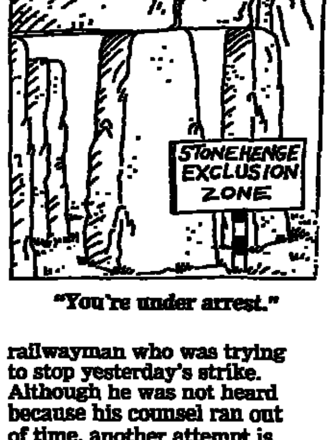
■ Italy's system of proportional representation has put some very minority parties into the European Parliament. The Lega Lombarda, a sort of home rule party for Lombardy, has won two seats on only 1.8 per cent of the Italian votes cast.

Founded less than 10 years ago, the Lega draws support from small shopkeepers in Lombardy for its attacks on state subsidies to the Italian south and the presence of southerners in their region. In some small Lombard villages it polled up to 30 per cent.

The Anti-prohibition League won one seat with only 1.2 per cent of the vote. It wants the abolition of all restrictions on the distribution and use of narcotic drugs.

## New champion

■ More will be heard of Gill Rowlands, Britain's first commissioner for the rights of trade union members. This week she funded an individual




"You're under arrest."

railwayman who was trying to stop yesterday's strike. Although he was not heard because his counsel ran out of time, another attempt is likely if there is a further strike threat.

Rowlands is a 58-year-old Welsh-born barrister living in Wirral. She made her own name as a chairman of industrial tribunals, serving as a magistrate for 12 years before that. As the widow of David Rowlands, the personnel director of Littlewoods who died in 1981, she also has at least indirect experience of life at the sharp end of industry and commerce.

Her office was established under the 1988 Employment Act and is now six months old. The job involves paying for legal action by trade unionists who believe their rights have been infringed by their union.

Rights cover inspection of union accounts, seeing your own entry on a union membership register, preventing unlawful use of union property or money, or the union making unauthorised political donations. They also extend to fair conduct of strike ballots, which is what this week's case was about.

Rowlands resisted the call of the capital and has set up office in the more central geographical location of Warrington, Cheshire, rather nearer to where most trade union members live. A few causes célèbres may well make her as famous as her brother-in-law Clive Rowlands, the big man of Welsh rugby.

## City Rock

■ There is a new sound in the City. A group of merchant bankers has come together to found Gordon and the Gekkos, a Rock band which will shortly be available to play at Charity Balls and what the bankers call "suitable social occasions." Gekko was the name of the villain in the film, Wall Street.

Nick Burnell, the founder, is an assistant director at Morgan Grenfell & Co. He has played in a lot of bands in his time, say his colleagues, is responsible for rhythm and lead guitar and the band is playing some of his own music. All the other members come from one part of Morgan Grenfell or another, except for Graham Elliott, a vice president at Merrill Lynch.

Rehearsals are now taking place one evening a week and the first outing will be at a colleague's wedding in Hampshire on July 4. After that the band will be available on an expenses only basis. Elliott is promising a demonstration tape so that would-be bookers can check whether the players know one end of a piano from another. Average age of the ensemble is just under 30.

## No free ride

■ Exhausted at finally finding a taxi yesterday, a colleague gasped: "Are you free?" "No, darling, I charge," said the driver. But the driver took him none the less.

*ECONOMIC VIEWPOINT*

# Roots of Britain's inflation problem

**By Samuel Brittan**

There has been fierce controversy inside the Conservative Party about the causes of the current inflation. Anyone venturing an opinion should start from the early post-Second World War cliché that inflation is the result of too much money chasing too few goods. He should then ask how the excess money – or more accurately, excess spending – arose; and whether there were any warning signs which could reasonably have been noted in time to prevent it.

If we are to make headway with such questions, estimates of expenditure have to be studied in terms of actual money – not in the "real terms" used even by supposedly monetarist model-builders, in which inflation has been deliberately taken out of the data.

The table on this page is accordingly based on the national income accounts expressed in current prices. The total I have attempted to track is total UK Final Expenditure on Goods and Services. (The difference between it and Nominal GDP is that it includes all expenditure, including that devoted to imports, which is obviously important in recent years.)

When total spending rises it can have three possible effects. Domestic output can increase. Prices can rise. Or spending can be diverted to imports or on to otherwise exportable goods. Most likely a mixture of the three will occur.

The notorious Retail Prices Index, which now stands at 8.3 per cent more than a year ago, exaggerates the current inflationary wave because of mortgage interest distortions. On the other hand it does not show the diversion of inflationary pressures into the balance of payments.

If we then compare 1984-86 to 1986-88, a decided acceleration in spending can be seen. Total Final Expenditure, which was rising by 15 to 16 per cent over the first period, accelerated to 20-21 per cent in the second. Not at first sight a vast acceleration. But the statisticians admit that the expenditure figures are underestimates. They were in any case enough to tip the 1986 current balance of payments into £14.7bn deficit on the official figures and to boost the RPI (exclusive of mortgage interest rates) to 6 per cent last month. And no slowdown in Final Expenditure can be observed in the 12 months to the first quarter of 1989.

What were the sources of the acceleration in spending? The professional pessimists who abound among City writers rarely mention that Domestic Fixed Capital Formation rose by 35 per cent between 1986 and 1988, more than twice as fast as in the earlier two years.

There are reasons why the picture is not quite so reassuring. The small percentage acceleration in consumer spending is not as innocent as it looks. Because the absolute amount of consumer expenditure is so large, a small percentage increase in it can be important. As the right-hand side of the accompanying table demonstrates, capital and consumer spending each contributed about £13bn to the acceleration in total spending between the two year periods.

Moreover, the payments deficit has been an incomplete safety valve. It has not prevented a rise in core inflation – measured for example by the RPI minus mortgage interest, the consumer expenditure deflator, pay settlements and earnings, labour costs or the GDP deflator. So, making the maximum allowance for the soundness of financing an investment boom by imports (which was quite normal under the Gold Standard), UK domestic expenditure has been increasing too quickly and the pressure on capacity and the labour market has been unsustainably high.

Why then did both investment and consumption accelerate from 1986 onwards? For such an acceleration to occur there has to be a disturbance to the normal circular flow of income and expenditure. The most frequent cause of disturbance in the past, and the source of the great historical inflations, has been governments spending on guns and butter (usually the former) far in excess of what they could raise in tax revenue. This element has been mercifully absent in the UK.

**Demands to 'go back to monetarism' are literally without meaning**

In the absence of a government source, we are driven back to looking for the origins of the expenditure acceleration in the private sector. This can occur through a spontaneous outburst of optimism leading to higher investment and consumption, which in turn generates still more income in a multiplier process. Or the acceleration can be due to an injection of money and credit from the banking system. Both forces have been at work; and the responsibility of policy has been the negative one of failing to put on the brakes in time.

The liberalisation of bank and building society lending has led to an appreciation in asset values, especially houses. The latter in turn made people feel wealthier and encouraged other sorts of consumption. The resulting rise in demand and profitability stimulated investment – aided and abetted by an undervaluation of sterling which long predates the shadowing of the D-Mark, of which the Leader of the Opposition to government economic policy – Mrs Thatcher – complains so much.

One can add embellishments. For instance, the long recovery and upturn after 1981 encouraged people to be more optimistic about what their long-term incomes were likely to be. This in turn encouraged them to borrow more; and the long sustained rise in output had a similar effect on business investment, together with the decline of militant trade unionism and the restoration of the so-called "right to manage."

In terms of history that is basically all there is to say. It has been the type of boom which is liable to take off from time to time in a private enterprise economy when the Government stops breathing down its neck, but which may develop an inflationary momentum.

The more interesting question is why insufficient braking action was taken. The old Gold Standard provided an anchor which automatically protected the currency. The absence of a modern equivalent is a real weakness. For in a paper money system, governments do not just perversely print money. Various financial assets are spontaneously generated by the financial system, which can be used in varying degrees for settling debts, with no arbitrary line between money and non-money. Government and central banks have to get in on the act to prevent the spending process from getting out of hand. Different indicators will help them to do so at different times.

For instance, broad money indicators gave some warning of what was happening in 1984-86 before Britain's inflationary symptoms became visible. Examples of broad money are the old M3 – notes and deposits – and M4, which includes building societies. The aggregates are themselves heavily influenced by the growth of bank and building society lending.

Nevertheless for the broad money addict simply to shout in triumph is to ignore the message of the left-hand side of the monetary chart. In its early years the Thatcher Government indeed had only an M3 target. Despite resort to 17 per cent base rates, M3 soared high above the 7 to 11 per cent target range of the period. Yet it was giving quite the wrong signals. For inflation was coming down rapidly and the economy entered its severest post-war recession in which two million manufacturing jobs were lost.

Indeed this episode came near to discrediting monetarism totally; and the many post-mortems led to the emergence of a measure of narrow money, which is nearly all notes and coins, namely M0, and which subsequently became the sole monetary target.

The true criticism to be made of the Chancellor, Nigel Lawson, is that he accepted this pocket-money indicator too readily. But the "one of us" brigade around the Prime Minister is in no position to levy this charge, because its members themselves have been much more single-minded and fanatical in pursuit of narrow money, crying death and destruction to those who want to supplement it by taking the exchange rate into account in forming policy.

Indeed M0 on its own has not had a good record in warning of inflationary dangers. It did not rise decisively above its target range in the current inflation until well into 1988, by which time the current inflation had been building up for two years.

Advocates of broad and narrow money – like Swift's big and little enders – have tried to make common cause against any use of the exchange rate for policy. But it really will not wash. For the prescriptions of the two camps have often suggested diametrically opposed policies. So demands by some populist political writers that the Chancellor should be forced to "go back to monetarism" are literally without meaning.

In the search for scapegoats, the blame for the current inflation is sometimes put on Nigel Lawson's shadowing of the D-Mark in 1987-88. The technical fear, which has found its way into the Prime Minister's brief, relates to the purchases of dollars and D-Marks made then to stop sterling rising. The Government does have to borrow pounds for such purchases; but the borrowing is ultimately financed by gilt-edged sales – that is what is meant by sterilisation. There is indeed very little correlation between the period of maximum intervention to hold down sterling in 1987 and the build-up of broad money growth, which started a great deal earlier.

A more common-sense stricture is that British interest rates were held too low to prevent sterling rising above DM 3.

However, many of the critics give the impression that this had been going on for several years on end. In fact the predominant movement of sterling against the D-Mark – and for that matter against the currency basket – since 1981 has been downwards. The period of shadowing lasted 12 months.

It is clear with hindsight that the mistake was not to shadow the D-Mark, but to shadow it at too low a rate. If Mrs Thatcher had not vetoed a Treasury attempt to join the EMS in 1985, when the rates averaged well above DM 3.5, two kinds of anti-inflationary forces would have come into play.

● There would have been a direct influence on the price level. Imports would have been cheaper; and just as important, UK producers would have to reduce profit margins, pay lower wages, or improve productivity faster to keep up with overseas competition.

**The mistake was not to shadow the D-Mark, but to do so at too low a rate**

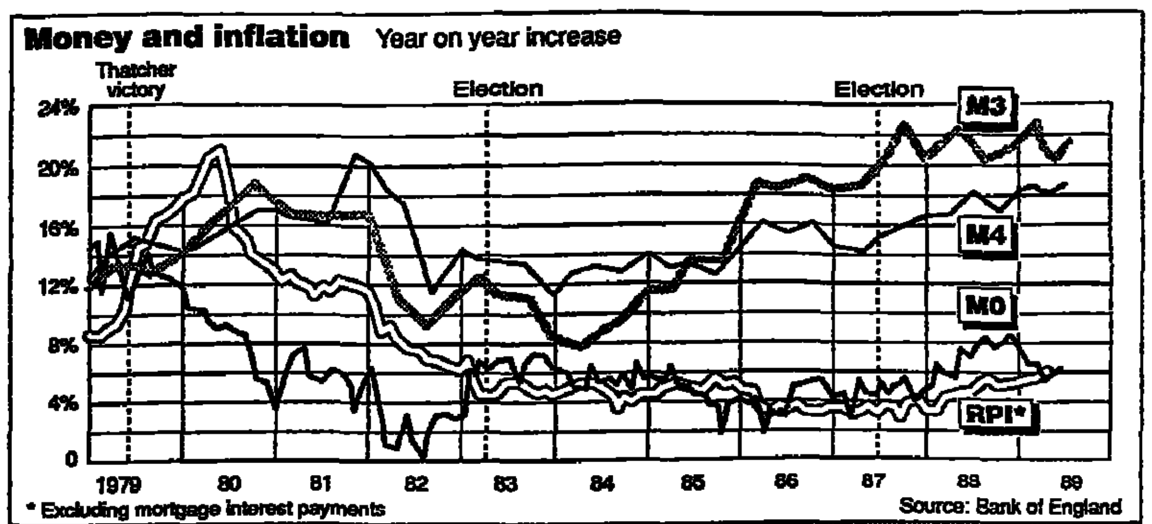
● To maintain a higher parity against the D-Mark, interest rates would have had to be higher – at least at first. (Membership of the EMS does not support a currency by magic. Credibility has to be gained.) Thus the signals from sterling would have reinforced those from broad money and forced policy makers into taking the latter seriously.

Some of these effects are illustrated by a London Business School simulation reported by Professor Alan Budd in the May Barclays Bank Review, of the effects of joining the EMS at the beginning of 1986. By the end of 1988 the RPI would have been 2½ per cent lower than it was, and the consumer price deflator 3 per cent less. Prof Budd believes that the simulation probably underestimates the effect.

The exchange rate is the link between one country's price level and another's. If sterling is linked to a non-inflationary currency such as the D-Mark, there is no way in which the movement of prices of traded goods and services in Britain can diverge from that of Germany's in the long run; and the link with the D-Mark becomes a partial substitute for the Gold Standard anchor. But to reap the anti-inflationary benefits, more is required than 12 months' shadowing at too low a rate.

This is a lesson which France, with its 3 to 4 per cent inflation rate has learned and which Spain is willing to learn. Last week's Euro-elections were the first fruits of the belief of a few British leaders that they know better.

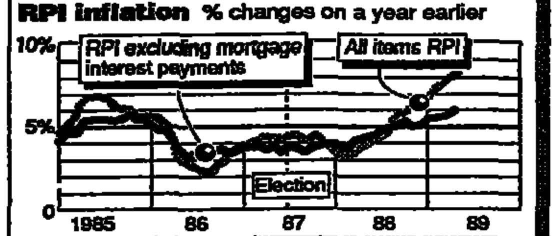
**Money and inflation** Year on year increase



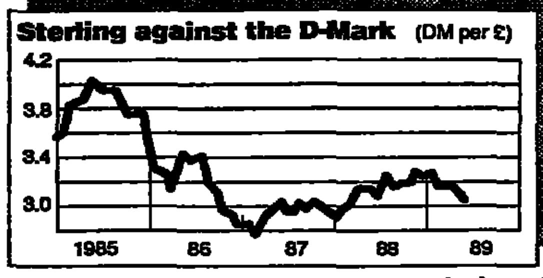

* Excluding mortgage interest payments

Source: Bank of England

**RPI inflation** % changes on a year earlier




**Sterling against the D-Mark** (DM per £)




**Changes in final expenditure**

| | At current prices % | | Amounts £bn | |
|---|---|---|---|---|
| | 1984-86 | 1986-88 | 1984-86 | 1986-88 |
| Consumer spending | 20.2 | 22.1 | 39.9 | 52.5 |
| Government consumption | 13.9 | 15.2 | 9.7 | 12.1 |
| Fixed capital formation | 16.7 | 34.7 | 9.2 | 22.3 |
| Exports | 6.6 | 9.3 | 6.1 | 9.2 |
| Total final expenditure on goods and services* | 15.5 | 20.3 | 64.4 | 97.7 |

*Including stockbuilding

Source: CSO

*LETTERS*

## ITV presents its view

*From the Chairman of the ITVA.*

Sir, The Home Secretary's White Paper, modified by his recent statement to the House of Commons, contains a great deal that ITV can support. The 16 publicly owned ITV companies have no fear of competition and we are confident of our ability to manage the transition from monopoly to market, given reasonable time and fair treatment. ITV accepts the Government's premise that we are inexorably moving away from a highly regulated television duopoly towards a more competitive future, and we have no doubt that the public could benefit from more choice of television viewing.

At issue, therefore, is not the competition, nor the additional choice, but the quality of ITV's regional and network programmes in the 1990s. The one policy to which we are implacably and unanimously opposed is the Government's determination, despite remarkably widespread opposition, to go ahead with the auctioning of commercial broadcast licences to the bidder, not of the highest-quality service, but of the biggest amount of cash.

Very few people seeking quotations for a household job would feel obliged to take the lowest bid without at the same time considering the quality, ability to deliver, track record and integrity of the different bidders. No government or local government department would dream of putting any kind of sensitive or hard-to-define services up for auction. This is a policy that looks to be driven by Treasury greed.

Economists who have studied the implications of such an auction conclude that it will lead to a reduction in quality and a narrowing of choice unless the Government intervenes to correct the inevitable skew towards profit-maximisation at the expense of quality. The only way of preserving range and quality would be via an "Arts Council of the Air." But what sense would it make to maximise Treasury income via an auction, only to have to use Treasury funds to put back the quality lost as a result?

The case for auctioning commercial licences is based on the achievement of greater objectivity, downward pressure on costs, the establishment of a market price for a public asset, and the highest possible return to the Treasury. The case against auctioning is that big money can outbid good quality; it catastrophically destabilises a £1.5bn industry for at least two years before and two years after the auction; there are plenty of pressures acting against any resumption of inefficiency; the auction outcome is unpredictable; it is impossible to define conditions like programme "quality" in terms valid for a sale contract or acceptable in a judicial review; and the likelihood of overbidding will impact adversely on the investment needed for quality programmes.

The ITV companies are well-rooted in every region of the UK, and in daily touch with people from all walks of life. We detect little enthusiasm for the Government's insistence that the right to broadcast should be sold for the Treasury's benefit to the highest bidder. People resent the fact that "their station" can be sold to a company with no previous experience in programme-making and they are amazed that not only do the bidders not have to come from the region, but they can come from anywhere in the EC.

If they could be certain that the regional and network programme services they currently enjoy would be improved as a result of an auction, they might understand and accept the Home Secretary's argument that it is, at least, an objective means of selection. But everyone believes that auctions will suck money into the Treasury and quality out of the programmes, and all academic study supports this instinct. The Government knows it too. In its white paper, it said that "there is no longer the same need for quality of service to be prescribed by legislation or regulatory fiat," but since then it seems to have lost faith in the market and brought back the fiats.

The so-called "quality threshold" that precedes the auction has allegedly been toughened up (though those who compare the new requirement for "a reasonable proportion of high quality programmes" with the current Act's requirement for "a high general standard in all respects" will not be hoodwinked) and a performance bond is being introduced to fine those who break their promises. These "safeguards" smack of the locks going on after the quality has bolted with the auction proceeds.

The behaviour of those who buy at auction will be quite different from the behaviour of those who were awarded contracts, which is why the Government feels it necessary to strengthen the quality threshold and introduce performance bonds. But you cannot threshold and fine people into making a consistently high standard of programmes. You need, crucially, top talent plus adequate funding plus reasonable stability. The combination of auctions and takeovers will destabilise; the likelihood of overbidding and the certainty of higher costs due to competition will reduce production funds; and the talent is increasingly likely to seek the more secure schedules of the BBC. Thus, as your leader ("Taking TV to the market," 14 June) concluded, British broadcasting "faces a future in which 'bottom line' considerations will increasingly dictate the contents of a programme."

ITV and the IBA have offered forms of competitive tender that would avoid the worst dangers of a "brown envelope" auction. The ITV companies know that rich and ambitious Europeans, some backed by American and Japanese capital, will cross any "quality threshold" by buying the expertise. The prize of British broadcasting will then be won by the length of an applicant's purse (as the Home Secretary has put it), with the existing ITV companies being disadvantaged by their relative smallness, which is a result of current regulations and their public service ethos. Staff, shareholders and managements of the ITV companies are justifiably proud of their record in providing quality, popular, educational and public service programming across a wide range, while providing highly effective services for advertisers and exporting British creative excellence worldwide. We will fight the Government's auction proposal right the way through both Houses of Parliament, and we intend that the quality of British television will still be an issue in 1991 when the auctions, and possibly a general election, are scheduled to occur.

Richard Dunn,
*Thames Television PLC*
*306-316 Euston Road, NW1*

## Finding a fair buy-out process

*From Mr Philip Buscombe.*

Sir, There is nothing inherently wrong with buy-outs of public companies. "The trouble with buy-outs" (Editorial, June 7) is that the debate too often focuses on emotional rather than logical argument.

The proliferation of buy-outs is entirely because public stock markets can be an inefficient mechanism for realising value for shareholders, for providing the stimulus for companies to pursue long-term or radical growth strategies, or for providing access to capital.

The position of institutional shareholders is ambiguous. Many of the largest investing institutions in the UK have enthusiastically expanded their venture capital activities and have significantly increased their investment in buy-outs in recent years. Most of these investments have enjoyed the rewards which accrue from the special attributes of buy-outs.

"Going private" liberates management to focus all its attention on the business to improve asset utilisation and cash flows, freeing it from the intense scrutiny of the professional investment community. In addition, as substantial owners with most of their private wealth tied up in the business, managers are committed to expand the business alongside a small group of sophisticated shareholders who have identical interests.

The controversy over the Magnet buy-out should therefore more properly centre on the public buy-out process, not buy-outs themselves.

In the US it is the duty of independent directors of public companies to ensure that appropriate procedures are implemented so that shareholders receive a fair price. The powerful incentive of potential shareholder litigation, the ability of competing offerers to obtain detailed information put to use by other bidders (including management) through the discovery process, or the more active pursuit by the independent directors of alternatives which may enhance shareholder value, have ensured that the buy-out process in the US is generally fair to all shareholders.

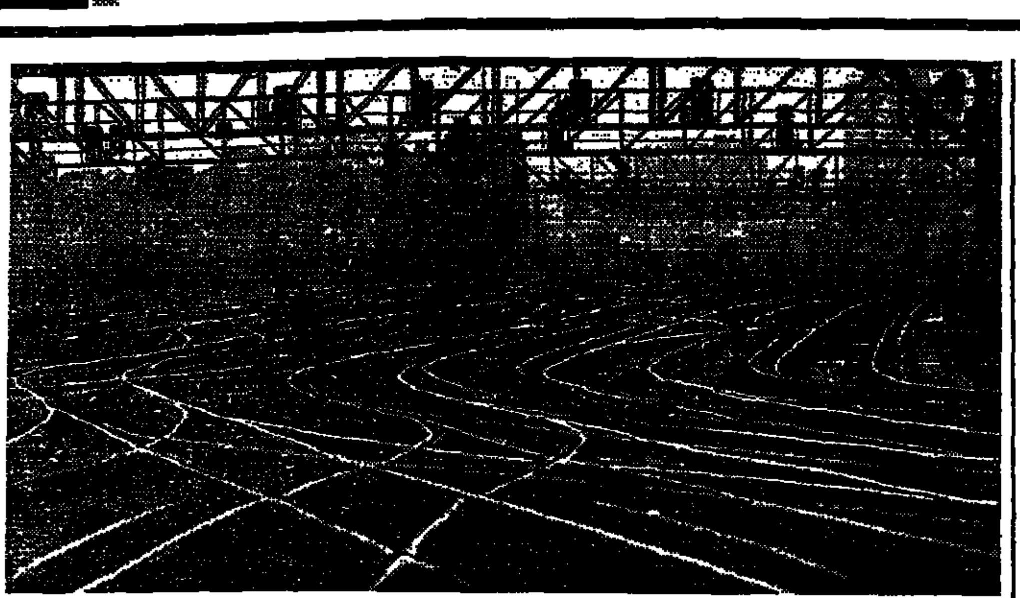
Philip Buscombe,
*Investcorp International,*
*Investcorp House,*
*65 Brook Street, W1*

FINANCIAL TIMES
Thursday June 22 1989



## Britain hit by rail stoppage

British Rail was last night set to increase its pay offer to workers following yesterday's 24-hour strike by the National Union of Railwaymen. No trains ran anywhere in the country. In London (right), the stoppage coincided with a *strike on the Underground* railway system and a lighting stoppage by bus employees. It was the first complete public transport shutdown in the capital since the 1926 General Strike. British Rail said the stoppage cost £10m (about $15.5m) in lost passenger and freight revenue. Page 10



Picture: Terry Kirk

# A clear route to the longest day

By Financial Times Reporters

MR Stephen Tysoe will remember June 21 as a very long day indeed.

His 60-mile journey from Faversham, Kent, to Liverpool Street, in the City of London, normally takes about two hours. To avoid the traffic jams expected because of the strikes, Mr Tysoe and a friend yesterday set off apprehensive and bleary *eyed at 4am. They sped on to* an empty M2 motorway, through the Blackwall Tunnel under the Thames and found themselves in the City 55 minutes later. Mr Tysoe was at his desk as a reinsurance broker at Alexander Howden by just after 5am.

Mr Tysoe's tale of planning and fortitude to avoid chaos which never developed, was typical of many London commuters who in the past two months have grown used to overcoming the effects of wildcat Tube strikes.

But amid unprepared, disconsolate huddles of backpackers stuck at Victoria Station, one of the mainline rail terminals paralysed, five West German girls from Cologne, en-route to New York, told a different story.

They had to stop in London yesterday to pick up cheap tickets for their transatlantic flights. *Having arrived at Dover, after a* night on a ferry from the Belgian port of Ostend, they were bussed into London by British Rail. Then, like many tourists, *they were stranded.*

"The city is so full. There is no one to help us." said Miss Dorothee Mayer.

Few taxis were plying for hire: Computer Cab *had been taking radio bookings* for the strike for weeks.

London commuters, kitted out in running shoes, shorts and T-shirts, swung *their beat-the-strike plans into action and* cycled, jogged and mostly walked to work in their thousands.

Military-style preparation was the key to beating the strike for Mr George Gentle, an attendant at the Natural History Museum in South Kensington. He left his home in Harlesden at 7am, wearing a comfortable pair of sandals, T-shirt, and shorts, carrying his uniform in a shoulder bag. A dummy run on Tuesday had shown it would take exactly an hour and a half to walk to work.

For Miss Caroline Moore, an Australian journalist, the urban ramble from home in White City across the town to Islington, north London, was familiar – it was her eighth hike in recent weeks as a result of transport strikes.

One rather ill-prepared group that made it into work was the City of London police force's car clamping unit – which promptly ran out of clamps.

At Harrods, in west London, only 35 per cent of the 5,000 staff had arrived by 9am, to be greeted outside the store by Mr Mohamed Al Fayed, the chairman and co-owner. Although only a few more staff had arrived by midday, Mr Al Fayed showed his gratitude by giving free lunches to all who turned up. However, customers were not so ready to brave the journey, and the store closed two hours early at 5pm.

Dealers in the City described it as a day *of "tight books, long lunches" – jargon for* quiet trading – to add to the late night and long drinks of the previous evening when many were put up in London hotels *at their employers' expense.*

Trading volume on the Stock Exchange was nearly half the normal level, with 294.4m shares changing hands and the *FT-SE 100 index up a somnolent 7.4 points.*

Securities houses, many of which had made elaborate plans to beat the strike, reported an 80 per cent staff turnout. However, brokers complained that their customers and paymasters – large institutional fund managers – were at home mowing the lawn, or sunning themselves at the Royal Ascot horseraces.

Workers who made massive efforts to reach the office found they had nothing to do on one of the slowest, quietest weekdays of the year as markets languished, brokers slumbered and taxis stood empty.

The busiest time was early morning. Nervous drivers rose at dawn on the longest day to motor into the City, only to arrive far too early, after much-heralded traffic jams failed to materialise.

At Heathrow Airport the most common complaint was the amount of time people had to spend waiting in departure lounges because they had overestimated how long their journeys would take. Ms Elizabeth Rawlings' father took the day off work to take her and a friend Ms Lindsey McKillop for afternoon flights to Germany. They left Colchester at 3.15am, arrived at Heathrow an hour and a half later, to wait 10½ hours for their flight.

But while some drivers told of clear roads, others like Mr Chris Hockett, an assistant supervisor at Abbey National's cheque clearing centre, were not so lucky. *He hired a minibus from a local scout* group in Essex to bring seven Abbey staff into London. Mr Hockett set off at 6am from Brentwood and picked up his troop *in Hornchurch and Romford. After a jour*ney lasting three times longer than usual they arrived at Abbey's offices at 9.20am.

Meanwhile Mr Tysoe, who had been at work *already for about four hours* was planning to get to bed early.

# Kazakhstan rioting blamed on 'Islamic holy war'

By Quentin Peel in Moscow

SHARP differences have emerged between Soviet officials, and in the Soviet press, about the real causes of the recent bloody riots and disturbances in Soviet central Asia.

Race, religion and a combination of unemployment and miserable living conditions have all been blamed for the riots which left 99 dead in the Fergana valley of Uzbekistan, after gangs of Uzbek youths attacked the homes of the Meskhetian Turk minority.

Now the latest disturbances in neighbouring Kazakhstan, in which four have died in the oil town of Novy Uzen, near the Caspian Sea, seem to have turned into ethnic clashes from having been a protest against food rationing and rising prices.

The most sensational claim was made yesterday by the Deputy Interior Minister of Uzbekistan, Mr Eduard Didorenko, who claimed that a pan-Islamic front seeking to expel Russians from central Asia had turned on the Turks for refusing to join them.

He told the military newspaper, Krasnaya Zvezda, that the organisers wanted to launch a "holy war" against non-Moslems in the Soviet republic, but the Meskhetian Turkish minority rejected the campaign as a "provocation."

"We are not talking of isolated and disconnected incidents, but about a mass campaign to draw Meskhetian Turks into the heart of a destructive national conflict," he said.

"Since autumn last year, certain elements have taken energetic measures to form a united pan-Islamic front, the primary aim of which was the renewal of medieval national hysteria, discrimination and the ousting of the republic's European population, even if this required radical measures."

However, the claims that a leading role was being played by Islamic fundamentalism – although raised by Mr Mikhail Gorbachev himself on his trip to West Germany last week – were not mentioned at all by Mr Nikolai Ryzhkov, the Prime Minister, who blamed economic depression, corrupt Communist Party and government leaders, for the riots.

Any suggestion of a religious factor was also rejected yesterday by a report in Literaturnaya Gazeta, the respected weekly newspaper, which said that chronic land hunger lay behind the riots.

"The roots of the contradiction lie not in language, not in the culture of two nations, but in the land which is in increasingly short supply with each passing year."

The Turkish community – which was forcibly resettled in the area by Stalin in 1944 from its homeland in Georgia – possessed more private plots per capita than the indigenous Uzbeks, with the amount available squeezed by the vast acreages taken over by state farms for the cultivation of cotton.

The report rejected suggestions that either religion, or nationalist movements in Uzbekistan, were behind the disturbances.

It quoted the Mufti of Tashkent, who flew to the scene soon after the riots broke out, as complaining that the youths would not listen to a church leader.

"When in Fergana the Imams appealed to the youths to fear the wrath of Allah, the youngsters replied: 'Why should we fear that which does not exist?'" the newspaper said.

The extraordinary thing about the Soviet news coverage of the event is the inability to agree on a clear "party line" about its causes.

Whereas that would always have been the case in the past, the official media itself is now reflecting the clear divisions in Soviet officialdom about how to interpret the growing social unrest in the country.

THE LEX COLUMN

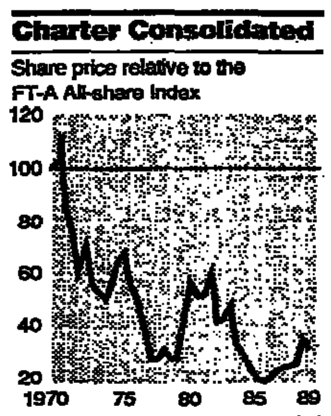
# New guard wanted for old boys

For all its recent changes, the International Stock Exchange is still run a little like a gentleman's club. So the choice of a new chief executive suggests an opportunity for change, and one that certainly needs to be taken. It provides an ideal opportunity to rethink the role of the ISE and it is not only the members of the Stock Exchange Rifle Club who will be interested in the outcome.

The seemingly uncontrollable growth of the Stock Exchange organisation since Big Bang would have made any private businessman nervous, and the increasingly public bickerings between powerful vested interest groups have underlined the need for stronger leadership at the top. The days when the Stock Exchange could be run purely for the convenience of its members, or like a civil service department, have long since gone. The next chief executive should be a commercial businessman rather than a civil service administrator.

London's role as an international financial centre is suffering from the fact that the Stock Exchange has not come to terms with the conflicting requirements of its role as a marketplace, trade association and provider of commercial services, such as the Topic company news service. And while the Stock Exchange's regulatory responsibilities have been taken over by The Securities Association, the current rather cosy relationship between the two could do with further re-examination.

*Running the Stock Exchange* is a big business. Its operating costs are on a par with those of the New York Stock Exchange and *its staff of 2,800 is* considerably bigger. Hard-pressed securities firms can be forgiven for asking whether this sort of costly superstructure is entirely necessary and whether the stock exchange should be left in charge of some of its grandiose investment schemes, such as Taurus. However, it may be hard to find a strong chief executive who is prepared *to dismember the empire* he inherits.




## Currencies

As there was no particularly good reason for sterling's slide through DM3.05 yesterday, it is tempting to view it as a measure of traders' disgust at an interminable journey into work. Actually, it is probably more serious than that, and in spite of intervention by the Bank of England yesterday and the help provided by a weak dollar, sterling seems poised for another downward step. This time, however, the money market is strangely unconcerned. While last week it was discounting base rates of at least 14.5 and probably 15 per cent, money rates yesterday suggested *no change* was imminent. The market reasons that things are going so badly for the Government at the moment that any further rise in base rates will be avoided at all costs; and while that seems correct just below DM3.05, towards *DM3.00* it might be another story.

Meanwhile, the dollar continues to behave in a most excitable fashion and the growing rumours that the Fed does its intervention in secret these days are not helping. Because nobody knows quite why the currency fell so sharply last week, everybody is nervous lest it should do the same again.

## Charter

If Charter Consolidated was just an ordinary, medium-sized, industrial holding company, its annual results would rate little attention. A 20 per cent rise in 1989 earnings per share and a similar sort of dividend increase are reasonable, but not exceptional. Its return on capital employed is well below its own standards, its shares are selling at a substantial discount to break-up value and, while its current management team is enthusiastic, there is little commercial logic to the businesses Charter is in and they do not fit neatly into the long term plans of Minorco, its biggest shareholder.

This is important because however much it pretends otherwise, Charter's future is dependent on the whims of Minorco and its South African shareholders and, after the Consolidated Gold Fields débâcle, that is all in the melting pot again. The suggestion that having failed to win Gold Fields, Minorco might turn its attention on Charter has certainly buoyed up the latter's share price. However, until Minorco and its South African parents have made up their mind about what they want to do with Charter's biggest investment, Johnson Matthey, Charter's future will remain a puzzle. Minorco could buy Charter's JM stake and let Charter float out from underneath the Anglo American umbrella as an independent entity at last. But this would probably not be in Anglo's style.

## McCaw/LIN

McCaw Cellular Communications has set its all on becoming the national player in mobile phones, which means it must have LIN Broadcasting. The regional operators are anxious to defend themselves against an even mightier McCaw, which means they want LIN badly too. Never mind the fact that the bidding for the cellular company started in the stratospheres; it is set to go higher still.

Just two weeks ago, the $6.5bn bid seemed outrageously high, but now no one seems surprised at LIN's haughty refusal. The whole thing is shaping into one of the juiciest deals ever: with up to $7bn now expected for a bunch of licences which are not making any money at all. No matter how bright the cellular future, that price has got to be close to the top of the market. For once, the arbs are showing a greater sense of perspective than the industry, with the shares hovering not far above the $120 bid price. Having seen the price rise from $70 at the beginning of the year, perhaps they do not want to push their luck.

For as long as this runs, Racal Telecom may bask in it, but for British Telecom, the position is much more finely balanced. The market's first impulse was to mark the Telecom price up 25p or so, arguing that the sky-high prices confirm Telecom's own deal with McCaw to have been a rare bargain. Maybe so, but if McCaw pushes prices up much further, BT's shareholders should start to feel nervous. Apparently, Wall Street is happy to accept such ecstatic cellular valuations, but then perhaps they think they see Telecom sitting there as a lender of last resort.

# Caution on plans to end Japanese car controls

By William Dawkins

FRANCE and Italy yesterday voiced extreme caution over European Commission plans to scrap all controls on Japanese car imports.

Mr Roger Fauroux, French Industry Minister, said at a meeting with his 11 EC counterparts that he could agree to end national limits on Japanese car imports only if the industry was allowed an open-ended period of transition. His scepticism was echoed by Mr Pietro Calamia, the Italian EC ambassador, representing Rome's interests at the session, who warned against opening the floodgates to Japanese competition.

Mr Alan Clark, UK Trade Minister, welcomed the Commission's liberalising approach, but refrained from outlining Britain's final stance until Brussels formally publishes full details of its car industry policy.

They were responding to calls by Mr Martin Bangemann, European Commissioner for Industry and the Internal Market, for an end to national quotas, now operated by five countries including France and Italy, by the end of 1992.

After then most Commissioners want a fixed – but as yet undefined – period of Japanese monitoring of exports to the EC. The Japanese Government could co-operate with such a scheme, Mr Bangemann told ministers.

Mr Bangemann will make a tour of EC capitals in July to hold private meetings with ministers and car producers to press further his case for abolishing trade barriers in the the industry.

# Gorbachev nominee rejected

By Our Moscow Correspondent

ONE of Mr Mikhail Gorbachev's closest associates in the upper ranks of the Soviet Communist Party has suffered a humiliating snub in the country's Supreme Soviet, the new standing parliament.

*What* appears to be an open revolt against the personal nominee of the Soviet leader was reported in one line last night, when the government newspaper Izvestia said that Mr Vladimir Kalashnikov, the man nominated to be the first deputy prime minister in charge of agriculture, had been rejected by members of the parliament's agriculture commission.

His rejection – which can yet be overruled by the full meeting of the Supreme Soviet – is also a snub to the Prime Minister, Mr Nikolai Ryzhkov, who had proposed him as one of his three first deputy premiers for the crucial agriculture portfolio.

It suggests that the Supreme Soviet deputies, despite being much more docile and conservative than the Congress of People's Deputies which elected them, may yet prove to be a rebellious body for the Soviet leader to deal with.

Reports last night suggested that a string of candidates for jobs in Mr Ryzhkov's new streamlined government, including the new Ministers of Finance, and for the Oil and Gas Industry, could face a grilling by the deputies in closed session.

Mr Kalashnikov, currently the Communist Party chief in Volgograd, spent his entire early career in the province of Stavropol, Mr Gorbachev's home base. There he worked throughout in agriculture – the Soviet leader's own speciality – apparently as his right-hand man.

When the Soviet leader rose into the ranks of the ruling Politburo, Mr Kalashnikov was promoted in 1982 to become the Minister for Land Reclamation and Water Resources in the Russian Federation.

That Ministry is now accused of wreaking havoc in the Soviet countryside.

# Montedison plans for Enimont

Continued from Page 1

formed the shareholders' assembly into a nine-hour-long peaceful protest.

The Greens, strengthened by their substantial showing in last Sunday's European elections (winning five seats and 6.2 per cent of the national vote), tied Mr Gardini's meeting into knots, but went strictly by the rule book. Their first move was to seek to invalidate the meeting because it was not being held at Montedison headquarters.

Mr Chicco Testa, a Communist MP who was among the leaders of the unprecedented initiative, said the Greens planned to buy shares in companies such as Fiat, the car conglomerate, and SIP, the telephone utility, in order to repeat their performance and raise issues of interest to both environmentalists and consumers at future shareholders' meetings.

The atmosphere at the meeting was strangely festive as a lavish buffet luncheon was laid on and the company's PR *minions circulated among the* dozens of journalists present, distributing a document containing Mr Gardini's pre-emptive defence of his *environmental stance.*

Mr Gardini did not look particularly festive during the first seven hours of the meeting as nearly 40 shareholders, mostly Greens who had bought one share apiece, stood up to argue their case against Montedison.

He sipped at glasses of water, smoked cigarettes, chatted with fellow board members and at times stared into space, all the time looking very much like a man whose public relations advisers had told him to keep cool.

The Greens were especially critical of Montedison's dyestuffs and intermediates plant at Acna di Cengio in Liguria, which has been closed temporarily because of toxic waste problems.

Acna became *a public issue* last summer, along with a Montedison pesticides plant in Tuscany that was later closed *after an explosion and fire* closed local beaches.

A suddenly diplomatic Mr Gardini said he was not indifferent to the problems of Acna, but stressed that as the plant had now been transferred to Enimont it was no longer a Montedison concern.

The Greens also requested a seat on Montedison's board, demanded information about alleged sales by Montedison of chemical weapons, asked to know whether Montedison had last year made a substantial contribution to President Bush's election coffers, requested the institution of US-style environmental impact statements on new Montedison biotechnology plants and asked Mr Gardini to set aside part of Montedison's profits in an environmental repair fund.

Mr Gardini's most generous reply to the Greens was to say that Montedison was pleased to have been able to offer "this opportunity for dialogue" and to speak about his own worries on a planet whose population had reached 5bn.

## WORLD WEATHER

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | - | — | — | Dubrovnik | F | 21 | 70 | Malta | S | 25 | 77 | Rhodes | S | 26 | 79 |
| Algiers | S | 27 | 81 | Edinburgh | C | 19 | 66 | Manchester | F | 17 | 63 | Rio de J'o | - | — | — |
| Amsterdam | F | 26 | 79 | Faro | S | 28 | 82 | Manila | C | 33 | 91 | Rome | S | 24 | 75 |
| Athens | F | 30 | 86 | Florence | S | 27 | 81 | Melbourne | F | 11 | 52 | Salzburg | F | 24 | 75 |
| Bahrain | F | 36 | 97 | Frankfurt | F | 28 | 82 | Mexico City | C | 26 | 79 | San Francisco | F | 27 | 80 |
| Bangkok | C | 31 | 88 | Funchal | F | 24 | 75 | Miami | C | 31 | 88 | Seoul | F | 26 | 79 |
| Barcelona | S | 27 | 81 | Geneva | S | 27 | 81 | Milan | S | 27 | 81 | Singapore | C | 32 | 90 |
| Beirut | F | 30 | 86 | Gibraltar | S | 23 | 73 | Montreal | C | 25 | 77 | Stockholm | C | 21 | 69 |
| Belfast | C | 13 | 55 | Glasgow | S | 19 | 66 | Moscow | F | 28 | 82 | Strasbourg | - | — | — |
| Belgrade | C | 20 | 68 | Guernsey | S | 18 | 64 | Munich | R | 21 | 70 | Sydney | C | 14 | 57 |
| Berlin | F | 27 | 81 | Helsinki | S | 25 | 77 | Nairobi | F | 22 | 72 | Taipei | F | 29 | 84 |
| Biarritz | - | — | — | H. Kong | C | 27 | 81 | Naples | S | 26 | 79 | Tangier | S | 28 | 82 |
| Bombay | R | 26 | 79 | Innsbruck | R | 18 | 64 | Nassau | C | 31 | 88 | Tel Aviv | F | 28 | 82 |
| Bordeaux | - | — | — | Inverness | C | 15 | 59 | New Delhi | F | 38 | 101 | Tenerife | F | 25 | 77 |
| Brussels | F | 27 | 81 | Islamabad | F | 37 | 99 | New York | R | 27 | 81 | Tokyo | F | 23 | 73 |
| Budapest | R | 22 | 72 | Istanbul | F | 24 | 75 | Nice | - | — | — | Toronto | C | 19 | 66 |
| B. Aires | C | 16 | 60 | Jakarta | C | 33 | 91 | Nicosia | F | 33 | 91 | Tunis | F | 25 | 77 |
| Cairo | F | 35 | 95 | Jersey | S | 18 | 64 | Oporto | C | 20 | 68 | Valencia | S | 32 | 90 |
| Cape Town | R | 16 | 61 | Jo'burg | F | 17 | 63 | Oslo | R | 18 | 64 | Venice | S | 24 | 75 |
| Caracas | F | 25 | 77 | Lima | - | — | — | Paris | F | 30 | 86 | Vienna | F | 17 | 63 |
| Casablanca | S | 27 | 81 | Lisbon | F | 27 | 81 | Peking | S | 32 | 90 | Warsaw | F | 20 | 68 |
| Chicago | F | 26 | 78 | London | F | 24 | 75 | Prague | S | 24 | 75 | Washington | C | 23 | 73 |
| Cologne | F | 25 | 77 | Los Angeles | F | 34 | 93 | Reykjavik | C | 08 | 46 | Zurich | C | 27 | 81 |
| Copenhagen | F | 28 | 82 | Luxembourg | F | 25 | 77 | | | | | | | | |
| Corfu | S | 26 | 79 | Madrid | R | 33 | 91 | | | | | | | | |
| Dallas | - | — | — | Majorca | S | 26 | 79 | | | | | | | | |
| Dublin | S | 18 | 64 | Malaga | S | 25 | 77 | | | | | | | | |

*Readings at mid-day yesterday*
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Shamir condemns 'divisive hysteria'

Continued from Page 1

of 8,000, was established 10 years ago on a rocky *hilltop* typical of the West Bank, about 20 miles north east of Tel Aviv. Like other Jewish settlements it stands out from the higgeldy-piggeldy neighbouring Arab villages by its neat suburban rows of red-tiled houses.

Another distinguishing feature which cannot be unnoticed by water-scarce West Bankers is the settlement's lavishly sprinkled gardens and large communal swimming pool. It calls itself the capital of Samaria and dreams eventually of a population of 100,000. *Most of the working population* commute to work in the Israeli coastal strip around Tel Aviv.

Ariel residents boast that before the *intifada* (uprising), they had close relations with neighbouring Arab villages. Now anti-Arab feeling is running high. They complain bitterly that they are the victims of the *intifada*, attacked by Palestinian stonethrowers on the roads and seriously threatened with a death such as that met by the man murdered this week.

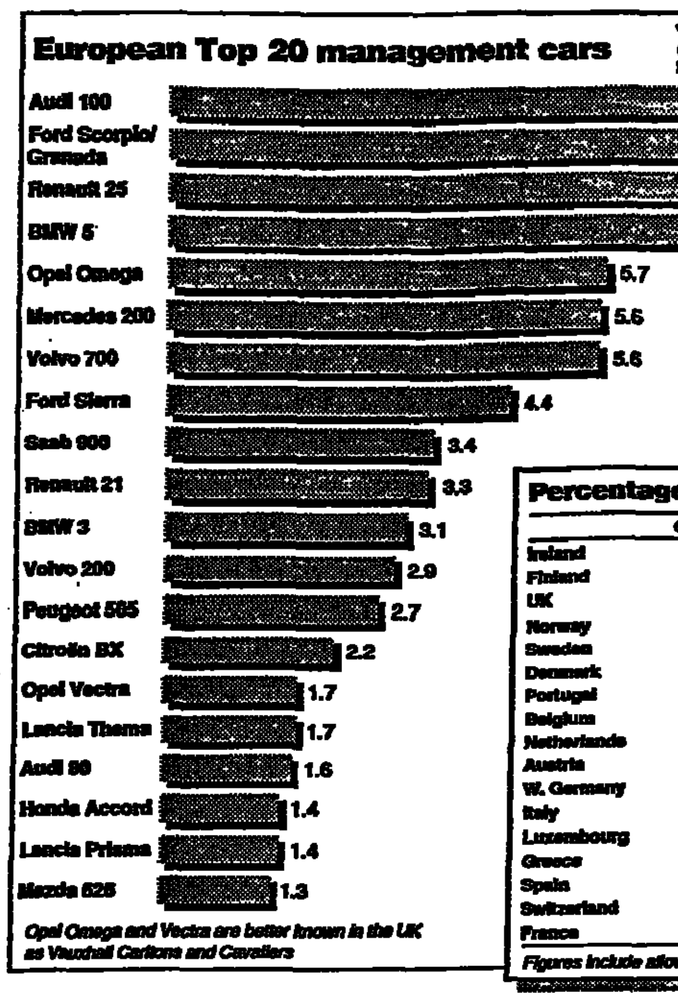
They view the Shamir peace plan, *as a threat not just* to Israeli rule in the occupied territories, but as a threat to all of Israel.

Shmuel Rafaeli, a soft-spoken but determined activist from Ariel, summed up Mr Shamir's dilemma: "I think he's in a very strange position," he said. "All his life he's fought for what Mr James Baker calls Greater Israel. To find himself here in what he believes to be part of Israel and to be called a traitor..." He *shook his head.*

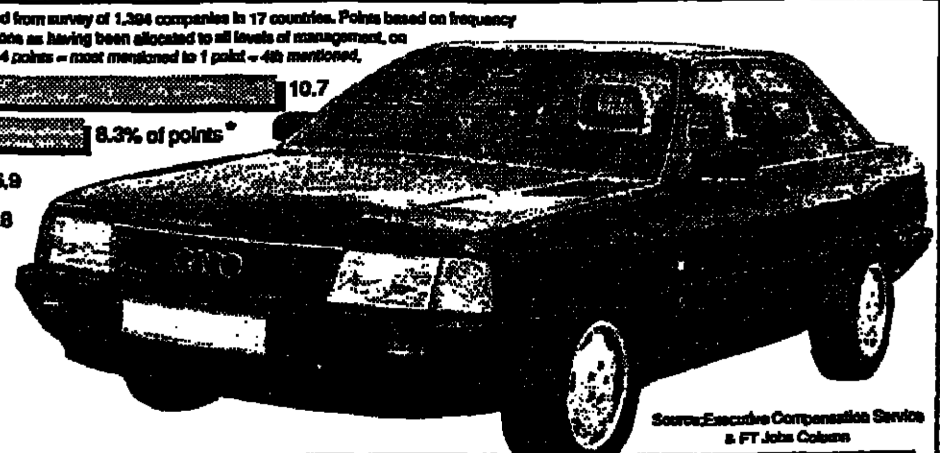
SECTION III

# FINANCIAL TIMES SURVEY

The battle for the world's executive car market is not for the faint-hearted. Several years of increased demand have tempted new protagonists to join the fray. The contest is hottest in North America but repercussions are being felt worldwide, reports **John Griffiths**



Opel Omega and Vectra are better known in the UK as Vauxhall Carltons and Cavaliers



Source: Executive Compensation Service & FT Jobs Column

**Percentage of directors receiving a company car**

| | Chief Execs | Marketing | Sales | Finance | Admin | Personnel | Production | Engineering | Research | D-P |
|---|---|---|---|---|---|---|---|---|---|---|
| Ireland | 100 | 100 | 100 | 100 | - | 100 | 100 | 100 | - | - |
| Finland | 100 | 100 | 100 | 95 | 100 | 100 | 100 | 100 | 100 | - |
| UK | 97 | 96 | 99 | 98 | 95 | 99 | 100 | 98 | 95 | 96 |
| Norway | 100 | 100 | 92 | 86 | 100 | - | - | 100 | - | - |
| Sweden | 100 | 100 | 91 | 94 | 88 | 93 | 90 | 100 | 100 | 100 |
| Denmark | 100 | 91 | 100 | 95 | - | 67 | 67 | 94 | - | 100 |
| Portugal | 91 | 90 | 98 | 93 | 81 | 83 | 87 | 76 | 79 | 100 |
| Belgium | 98 | 96 | 92 | 85 | 78 | 83 | 71 | 76 | 73 | 77 |
| Netherlands | 92 | 98 | 91 | 88 | 72 | 79 | 74 | 77 | 81 | 73 |
| Austria | 100 | 94 | 95 | 78 | 83 | 67 | 60 | 75 | - | - |
| W. Germany | 95 | 82 | 92 | 74 | 84 | 70 | 74 | 68 | 75 | 50 |
| Italy | 94 | 89 | 86 | 81 | 70 | 73 | 67 | 63 | 72 | 64 |
| Luxembourg | 100 | 93 | 88 | 67 | 50 | 56 | 65 | 63 | 67 | - |
| Greece | 84 | 85 | 75 | 56 | 50 | 64 | 85 | 42 | 80 | - |
| Spain | 91 | 67 | 80 | 77 | 50 | 61 | 61 | 54 | 50 | 56 |
| Switzerland | 84 | 78 | 74 | 60 | 57 | 58 | 40 | 75 | 55 | - |
| France | 88 | 76 | 80 | 60 | 59 | 53 | 47 | 60 | 44 | 36 |

Figures include allowances in lieu of cars in minority of cases

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*Graphics: Bob Hutchison*
*Editorial production: Phillip Halliday*

# Executive Cars

## Confronting the Japanese

SEVEN successive years of world economic growth have brought the good times back for most leading Western car makers.

The cash flow crises of the early 1980s have gone, replaced by high profits and high levels of investment.

That investment has increasingly been aimed at the large-profit-margin executive and luxury car sector as a result of a sustained increase in affluence among both business and private buyers.

"Never before has there been such a long and positive development of the world economy," Mr Eberhard von Kuenheim, the chairman of BMW, told shareholders at the end of May.

Indicative of both the perceived value of the executive sector to car makers, and their renewed financial health, is that the Peugeot Group is launching within a few months of each other two flagship executive cars, the Citroën XM and the Peugeot 605.

The XM, launched on the Continent last month, and the 605, to be unveiled in the Autumn, share a lot of components to minimise costs. But they have nothing in common in appearance and differ sharply in important design areas. The two cars cost Peugeot well over FFr10bn (£1bn) to bring into production.

They are important elements not only in chairman Mr Jacques Calvet's strategy to take the Peugeot group into European car market leadership in three or four years' time, but also to build the group's profitability. Peugeot made a net profit of FFr8.6bn last year, following FFrs 6.7bn in 1987. Up to the end of 1984, it had made five straight years of losses.

The market attractions of the sector are obvious. In the four principal West European markets comprising West Germany, France, the UK and Italy, more than 1.4m such cars were sold last year, up from 1.32m in 1986 according to DRI Europe, consultancy group.

US buyers last year bought just under 1m executive cars, including domestically-produced vehicles such as Cadillacs.

The Japanese market is being slowly prised open by European executive car makers. Mercedes-Benz and BMW accounted for nearly 50,000 sales last year compared with less than 40,000 in 1987 – albeit in a total Japanese market of more than 3.7m.

However, everyone wants a slice of the action. That includes not just Japanese manufacturers, now making inroads into the executive and sports sectors at an astonishing rate, but even virtual newcomers to car-making itself.

Most notably, Hyundai, the South Korean producer whose annual vehicle output has gone from less than 200,000 units to 750,000 in the past five years, last month launched in the UK the Sonata. This medium-sized car is aimed at the Ford Scorpio/Granada, the Vauxhall Carlton and similar cars.

Hyundai has based its marketing effort for the Sonata mainly on price – it undercuts European rivals by £2,000 or so – and set what it hoped was a modest target of about 1,500 units in the UK for the rest of this year.

The UK, however, is the European debut market. Hyundai hopes to sell many more on the Continent over the next few years as its dealer networks develop.

Just to underline how serious it was about joining the world's big players this year it brought on stream a 200,000 cars-a-year plant at Bromont, in the Canadian province of Quebec. Annual output will include 25,000-30,000 Sonatas, in addition to the Korean output.

Competitive screws have been tightened in lots of other ways, with consequences not yet fully discernible.

For example, the styling, design, performance, ride and handling characteristics of cars designed and built in the US, particularly in the executive and luxury sectors, have been rapidly moving much closer to those favoured by the rest of the world.

General Motors, Ford and Chrysler were dismayed by the inroads made by imports of Japanese and European cars in the early 1980s as American buyers deserted the space-and fuel-inefficient, ill-handling cars they had been fed by the domestic producers.

Heavy product investment programmes by the US big three have produced a lot of models with strong appeal in many other markets.

The replacement for Ford's European Granada is destined to be a "world" car although most of the engineering and design will have been carried out in the US.

Not only are European executive car makers confronting stiffer opposition from both US and Japanese sources in North America, but also there is a very real prospect of General Motors and Ford infilling their European-built ranges with product from the US.

General Motors, for example, has introduced its new ZR-1 Corvette to Europe. The Lotus-developed engine can propel it at Ferrari speeds for a fraction of Ferrari prices.

Chrysler may sell its seven-seater minivans, more luxuriously equipped than many cars, in Europe through its links with Renault, which already distributes Chrysler's Jeep range.

To some extent, the seriousness or otherwise of this development for European manufacturers will be influenced by exchange rates – already a sore point with Europe's executive car makers in terms of the North American market.

The dollar's relative weakness against leading European currencies for much of the period since 1986 led some European makers – Porsche in particular – to make a misguided assumption that the prestige and general cachet of their products would allow them to ratchet up prices to protect profits.

Instead they ratcheted up resentment among US buyers who watched large price gaps open up between the European executive cars and US luxury brands.

Nor was it lost on many buyers that the prices of Honda's executive brands, sold as Acura Legends and Integras through a separate dealer network, did not increase in price as fast as the European cars. This was inspite of the yen's bigger appreciation than the D-mark and the Legend and Integra were not built at any of Honda's US "transplant" factories.

Furthermore, some of the glitter was brushed off the European image when Audis were the subject of litigation over alleged "unintended acceleration."

Jaguar plunged down the respected JD Power consumer satisfaction index and the Rover Group's Sterling model also ran into consumer criticism. The scene was set for falling sales.

Audi sold 59,000 cars in the US in 1986, 41,300 in 1987, 23,000 last year and 7,413 in the first five months of this year.

Porsche's sales plummeted from 30,500 in 1986 to only 3,600 in the first five months of this year.

Other European producers have fallen, although not as badly. Only Volvo and BMW have been able to increase sales this year.

In contrast, Honda's Acura range has gone from strength to strength – sales rose from 53,000 in the network's launch year of 1986 to 128,238 last year and 56,982 in the first five months of this year.

The Europeans face their stiffest challenge yet. Toyota and Nissan, Japan's first and second largest car makers respectively, are launching cars and dealer networks aimed at the heart of the executive car market typified by Mercedes-Benz, BMW and Jaguar.

Nissan's Infiniti Q45 saloon and M30 coupé will go on sale through its newly-established Infinit network on November 8. This is two months after sales start of Toyota's Lexus LS400 saloon and ES250 through the Lexus network. Prices are expected to worry the Europeans.

There is good reason for this. It became clear that Japanese manufacturers were able to compensate for even the 80 per cent revaluation of the yen against the dollar over the past three and a half years.

Men like BMW's Mr von Kuenheim expressed concern,

Continued on Page 2

Mr Paul Layzell: BMW (GB) expects a sales increase this year

## Confronting the Japanese

Continued from Page 1
in spite of BMW's worldwide sales rising by nearly 20 per cent last year.

He pointed out that since no Japanese factories are being shut down in Japan, Japanese intentions could only be to attack Western industries on both fronts. This was a reference to Japanese "transplant" production in the US and Toyota's plans to follow Nissan, Honda and potentially other Japanese companies into European production,

In a blunt warning to West German workers, he said that work practices would have to become more flexible if Japanese competition was to be beaten back.

From the consumers' point of view, however, the intense competition provided almost wholly unalloyed benefits.

The variety of executive cars available – including those from formerly ailing companies such as Alfa Romeo, now resurrected by Fiat - is bewildering. Their performance and sophistication is at a level which could not easily have been envisaged at the start of the 1980s.

Manufacturers see the electronics-based revolution leading to computer-controlled "intelligent" cars by the end of the century, roof-mounted video cameras to survey the road ahead and possibly encourage the computer to take control if an accident looks likely.

In Europe a new car boom which has already set sales records for four consecutive years is showing few signs of going into reverse.

In most countries, executive cars are outperforming new car sales overall.

In the UK, for example, Mr Paul Layzell, managing director of BMW (GB), expected to sell about 48,000 cars this year. That compared with 42,761 in 1988, and 37,525 in 1987 – rises of 12.25 per cent and 13.9 per cent respectively.

Last year's total new car market was up only 10.3 per cent on 1987, while some analysts predict that there will be little or no growth in the total market this year.

United States

# Consumers turning from beauty to safety

LUXURY CARS account for just under 10 per cent of the 10.6m cars sold annually in the US. The luxury market, defined as cars selling for more than $20,000, may be small but it is lucrative.

Producers and dealers can command gross margins of as much as 20 per cent in this sector compared with 12 to 16 per cent from cheaper models.

Sales of European cars, which have long dominated the US imagination in the luxury market, are starting to slip.

**European cars have done well in the US with their association with an older culture**

The BMW 3 series has been considered the vehicle of choice by the yuppie generation for several years. But last year sales of the model slumped by 35 per cent to 38,346 units.

Total BMW sales in the US for the year were 73,359 units. Sales of Mercedes-Benz, another popular import, dropped by 7 per cent to 83,727 last year.

Image is the incalculable factor in the luxury car market. European models have traditionally done well in the new world in part because of their association with an older, more sophisticated, culture.

The received wisdom was that the Japanese marques, with their association with mass manufactured products, would never be successful in this exclusive market.

However, the success of the Honda Acura has silenced the skeptics and opened the door for other Japanese car makers. The Acura, which entered the US market only three years ago, sold 70,770 cars last year with a price tag of about $29,000.

This year Nissan and Toyota will enter the fray with the Infiniti and Lexus respectively. Toyota is eyeing projected sales as high as 75,000 for its $35,000 new entry.

At the very top of the market, however, no one challenges the European makes for price.

Last year, Lamborghini sold 94 of its Countach model in the US, with a price tag of about $145,000. Fifty Bentley Turbo R's were sold at about $149,000 apiece and some 600 Rolls-Royce Silver Spurs fetched over $142,000 each.

However, the highest overall sales figures are still achieved by the domestic makes. The Cadillac division of General Motors leads the field with sales of 259,400 units last year and expected sales of 262,000 for 1989.

**Received wisdom was that the Japanese would not be a success in this market**

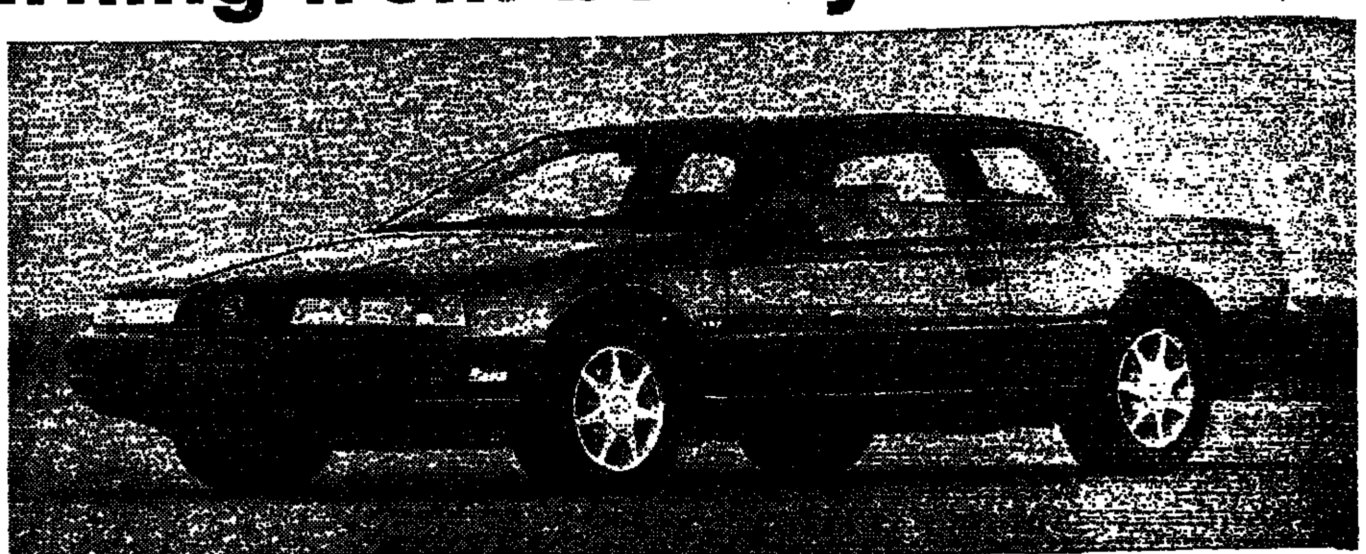
The increasing strength of the US presence in the domestic luxury car market is underscored by the performance of Lincoln, Ford Motor's luxury division. In 1984 only 86,162 Lincolns were sold. By last year this figure had jumped to more than 121,000.

Chrysler has also returned to the luxury car fold after a decade of catering to the lower end of the market.

**US new luxury car registrations**

| Model | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|
| Oldsmobile 98 | 60,508 | 122,568 | 109,280 | 71,307 | 73,348 |
| Electra | 46,294 | 100,013 | 106,825 | 79,634 | 84,453 |
| Cadillac | 187,810 | 187,720 | 231,376 | 202,535 | 203,961 |
| Lincoln | 86,162 | 116,193 | 127,457 | 126,035 | 121,674 |
| Corvette | 30,367 | 38,042 | 32,581 | 24,654 | 23,281 |
| Tornado | 41,074 | 32,879 | 16,239 | 16,111 | 14,887 |
| Riviera | 52,223 | 48,891 | 22,937 | 16,472 | 11,750 |
| Reatta | - | - | - | 10 | 4,514 |
| Cimarron | 17,992 | 22,768 | 23,592 | 12,609 | 5,884 |
| Seville | 35,113 | 29,986 | 20,641 | 20,656 | 22,439 |
| Eldorado | 68,763 | 60,754 | 24,476 | 20,282 | 31,199 |
| Allante | - | - | 5 | 2,084 | 3,056 |
| Continental | 29,767 | 27,701 | 20,110 | 13,369 | 47,424 |
| Mark | 28,349 | 20,401 | 22,238 | 27,195 | 22,526 |
| Total | 684,422 | 897,916 | 757,757 | 632,933 | 670,405 |

Source: Ward's Automotive Report



Lincoln, Ford's luxury division, has seen sales figures jump helped by the newly designed, 3.8 litre Cougar XR7

Safety is replacing beauty as one of the main consumer considerations in luxury cars.

Sales of the Audi suffered considerably after reports of problems with sudden, uncontrollable acceleration. Audi's sales have dropped 62 per cent since the problem was first aired in 1986 although a federal government study has now placed the blame on drivers.

One reason cited for the popularity of the Volvo cars is their reputation for safety. Volvo sold over 98,000 cars in the US last year.

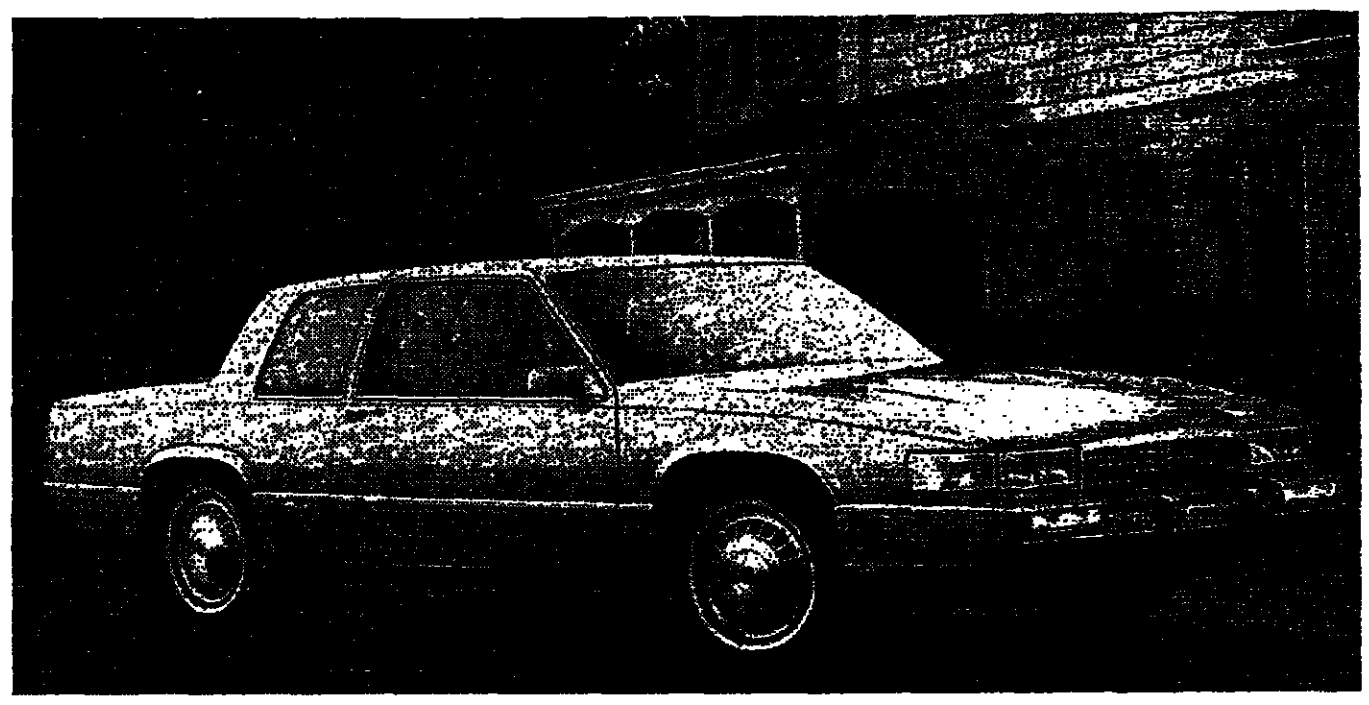
According to Cadillac, environmental concerns are also a growing issue, and with some analysts projecting further crude oil price hikes, customers are beginning to pay more attention to fuel economy and less to horse power.

Cadillac is hoping to increase its influence abroad, particularly in Europe, having reasserted itself in the domestic market.

The Canadian market is virtually an extension of the US market for Detroit's big three, thanks largely to the US-Canada auto pact. Cadillac sells only about 3,000 vehicles outside the US and Canada.

According to Mr John Fleming, Cadillac's general director of marketing and production planning: "In terms of the international market, Cadillac is a small part and there is room for us to grow without bothering anyone for a while."

**Karen Zagor**



Cadillac leads the domestic field with sales of more than 200,000 units last year, buoyed by the familiar Coupe de Ville

Japan

# Appreciating the long, the wide and the high-priced

EXECUTIVE cars are the sector of the Japanese car market in which importers have done well. Almost a third of the 166,054 cars with engines of more than 2 litres sold in Japan last year were imports. Moreover, the growth of imports in this sector has been rapid, 42 per cent in 1987 and 36.6 per cent last year.

The number of US cars imported to Japan is still very small, compared with the serious top-tier car exporters led by BMW and Mercedes-Benz of West Germany. But they reflect the growing appreciation of long, wide and usually high-priced cars teeming with horsepower in the world's second largest car market.

The Japanese bought 922 Cadillacs last year, 73 per cent more than in 1987. The Pontiac, another General Motors US model, sold 1,664 units in Japan, up 150 per cent from the previous year.

The more basic US-made Fords and Chevrolets roughly doubled their sales in Japan, both falling just a couple of hundred units short of the 2,000 mark.

However, over the same period, sales of domestically manufactured luxury cars more than doubled, reflecting intensified interest among Japanese makers for this sector.

The Toyota Century and Nissan President were the only two domestically made luxury cars which rolled on Japan's roads until two year ago when Nissan launched its Cima, the first Japanese luxury car aimed at individual consumers.

The two cars, still dominant and almost all used by companies to ferry executives around town, adopted anonymity as the highest virtue.

Mr Takayuki Imajo, manager of Japan Automobile Manufacturers Association's (JAMA) international public affairs section, said the West German manufacturers pioneered the luxury market in Japan.

"Cima phenomenon," the catch phrase used by marketing people for the new luxury market segment, is a direct result of the trend toward personal use of luxury cars. Before the West German cars came, the only luxury market was corporate and chauffeur-driven, he said.

Nissan's Cima, said to have Japan's most powerful passenger car engine, was developed as a top of the range car for the domestic market.

This autumn both Nissan and Toyota will start selling high-performance luxury cars in Europe and the US. Company spokesmen hinted that the cars, Nissan's Infiniti and Toyota's Lexus, would hit Japanese showrooms to coincide with the Tokyo motor show in November.

Mr Imajo played down the threat posed by domestically produced cars to the luxury imports, and said Japanese car makers are not that interested in a market segment they perceived as too confining.

Luxury car sales in Japan last year amounted to less than 5 per cent of the total sales, about 3.5m cars, excluding midget cars under 500cc. Fewer than that figure actually qualify as real luxury cars in the western sense.

The domestic luxury car market was "beneficial, with a high-turnover rate," said Mr Imajo.

"It's an interesting and charming market as well, but I don't think Japanese car manufacturers will take the initiative here. It's because of European initiatives that the market has expanded, so it's better to follow them."

Mr Imajo said higher prices for bigger cars together with narrow city streets and small parking spaces were a problem for the luxury market.

Studies done by Toyota and Nissan showed 176cm to be the maximum car width which still allowed comfortable urban use.

Sales of the Cima, a shade wider at 177cm, increased 13.6 per cent in April over the same month last year to 3,874 units. This was well above the 3,000 per month forecast by Nissan and made it the company's best selling car in April.

Not coincidentally, the surge in Cima sales came in the month when a tax overhaul slashed prices on all luxury cars.

The old commodities tax, equivalent to 23 per cent of the price on big cars with more than 2 litre engines, was abolished. The new consumption tax, phased in at 6 per cent of the sales price on all passenger cars, was cut to 3 per cent at the end of three years.

In addition, annual road taxes for cars with engines over 2 litres were reduced by as much as 45 per cent. Prior to April 1989, the annual road tax on a car in the 2 to 3 litre luxury category was Y81,500.

Mr Ben Moyer, analyst with Merrill Lynch, the New York bank, said the outlook for Japan's luxury car market looked rosy, barring the unlikely emergence of a recession that could hit people in the upper income brackets.

The entry of the Lexus and Infiniti into the domestic market was unlikely to rain on the parade, he said.

Mr Moyer noted the success of Toyota's Crown, the company's big-selling, top-line domestic model: "The market will absorb new luxury models and the whole market will expand."

However, the expected impact on the domestic market would not be as dramatic as other low-key changes taking place in recent months, in spite of the excitement surrounding the Lexus and Infiniti, Mr Moyer said.

"Toyota can sell the Lexus but risks cannibalising the Crown. Maybe they want Lexus to take over from the Crown, but they have to decide how to price and sell it."

Mr Moyer said Toyota would install 3 litre engines in the Mark II, its other domestic luxury big-seller, while the V8 engine for the Lexus would be made available as an option for the Crown.

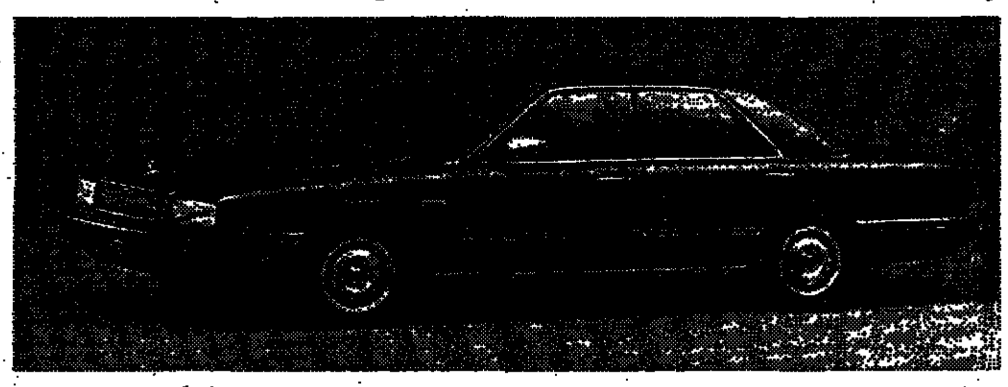
Mr Jeff Wilkinson, analyst at Salomon Brothers, the New York financial services group, said Japan's luxury car market would continue to perform vigorously, but for more than technical reasons.

The appeal of foreign luxury imports to most Japanese buyers was the cachet of having something different from everyone else, he said.

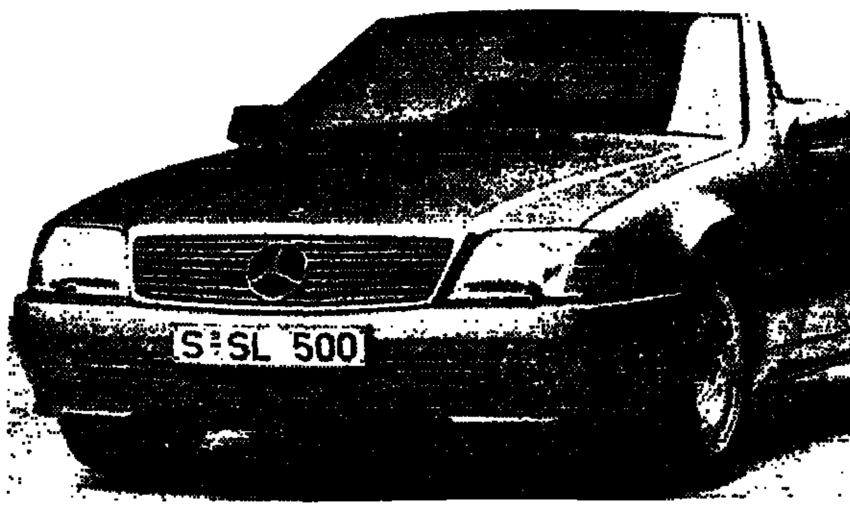
"What you can say is that the Japanese feel wealthier and they want to spend. You can look at it in macro terms too, but Japan has become a domestically run economy.

"You have to look at the psychological aspect. Why do Japanese buy big cars? To be conspicuous. If they can't buy a house they buy a car. It's a symbol and they don't necessarily drive them much," he said.

**Chris Perry**



Nissan's Cima gave birth to a catch phrase for the Japanese luxury car market




The Mercedes-Benz SL sports car, precursor of a generation of S-class limousines that will be available from 1991

West Germany

# The fierce battle for the car-conscious wallet

WEST GERMANY'S executive car market is not a place for the faint-hearted. The West Germans are among the most car-conscious people in the world and their businessmen are as aware of what is available, and what befits their status, as anyone.

So Daimler-Benz and BMW, the two powerful contenders in the executive automobile stakes, have a constant fight on their hands to win the hearts, and the wallets, of West Germany's decision-makers.

BMW is winning hands down. Its group turnover was up by 26 per cent last year, with sales propelled along by the success of its expensive 7 and 5 series.

Daimler, by contrast, has been having a harder time of it. Its car turnover was up by 1 per cent in 1988 and production was cut by 6 per cent to 580,000 cars, with a fall to 542,000 likely this year.

This compares with BMW's 4.9 per cent advance to 484,000 units. In 1989 BMW aims to raise output above 500,000.

The executive market is the lifeblood of both companies. So Daimler's discomfiture has caused more than a little embarrassment at the company's Stuttgart headquarters.

No-one, least of all BMW, doubts that Daimler will bounce back. But its Munich-based rival will have been given several years in which to show its paces.

"BMW has turned up the heat, Daimler's S class is not bad, but it's showing its years," says Mr Stephen Reitman, motor industry analyst at Phillips and Drew, UK stockbrokers.

In the past, car companies became used to a model cycle of about 10 years. But this is being shortened to seven, Daimler has been caught in the middle of this transition with aged models.

It has already indicated its intention to storm back. Its SL Roadster sports car, on sale in Germany for DM78,000, is the precursor of its new generation S class limousines, which it intends to bring out from 1991.

Insiders say the new up-market Daimlers will be formidable and are expected to be longer and broader. But the executive models will be up against a tougher challenge than the SL, of which only 20,000 a year are being produced and which is sold out for several years.

What BMW has done, notes Mr Reitman, is make use of the window of opportunity provided by its faster reaction to shorter model cycles.

Its top-of-the-range 7 series was launched towards the end of 1986, giving it a good four years before Daimler puts its new thoroughbred into the race.

"BMW has the most modern cars on the block and it is pushing them very hard," says Mr Reitman. Moreover, the follow-up and slightly cheaper, but similar looking, 5 series has also been a runaway success.

BMW's smaller 3 series, to be regenerated soon, has benefited from the so-called halo effect deriving from the success of the group's bigger models.

When Daimler brings its new S class cars onto the market, its profit margins on the passenger vehicle side are likely to be stabilised and car division profits should move up again.

Some critics have said that Daimler has been distracted from its main business of making cars and trucks by its diversification into electronics with AEG, turbine engines with Motoren- und Turbinen-union (MTU), and aerospace with Dornier.

It is also poised, assuming the Government overturns the Federal Cartel Office's rejection, to buy a big stake in Messerschmitt-Bölkow-Blohm (MBB), the aerospace group.

It seems more likely that the Stuttgart group simply relied too heavily on the previous length of model cycles and, somewhat complacently, failed to see BMW coming up behind with its sportier vehicles.

A slide in diesel sales after a campaign which attacked them for causing cancer and smog has affected Daimler. But registrations of its petrol cars have not benefitted accordingly.

In the first four months of this year, Daimler's new registrations in West Germany slipped by 13 per cent to just over 90,000 cars; while petrol cars were down by 5 per cent and diesels by 44 per cent.

BMW, on the other hand, saw its West German registrations surge by 24 per cent in the same period.

To take account of its diversified structure, Daimler has split into divisions, with Mercedes-Benz AG handling cars.

The Daimler group will still predominantly be a vehicle producer even after its planned purchase of a stake in MBB. It plans to produce a new car every year in the 1990s, with the executive S class to be followed by a new "baby Benz" to replace the 190 series, and its next generation of mid-range models.

About three-quarters of its DM30bn of investment over the next five years will go on vehicles. However, Daimler and BMW, which will shortly unveil a new fast luxury 8 series coupé, do not have the whole of the executive market to themselves.

Audi, whose basic 80 and 90 models have been an eye-catching success, makes a large V8 and is due to bring out a replacement for the Audi 100 in a year or so.

Audi, part of the Volkswagen group, has seen a 13 per cent drop in sales in the first four months of this year, partly in reaction to the earlier boost from the initial success of the Audi 80 and partly because VW's own new Passat model has been so well received.

Porsche, not really a producer of executive models, sells a high proportion of its cars to independent businessmen who are not tied to company rules which specify a more formal Mercedes or BMW, or, less exclusively, a Ford Scorpio or an Opel Senator.

Porsche's registrations picked up by a tenth in January-April, a result of extensive model investment and upgrading after the company ran off the road in 1987 as a result of the dollar's slide and the world stock market collapse.

Increasingly, West German cars are being aimed at the upper end of the market, with even small cars packed with an increasing amount of technology and capable of high speeds.

This gives greater opportunities for imported models like those from Japan, but means that the domestic manufacturers have it almost all their own way as far as the executive segment is concerned. In West Germany foreign cars have less social cachet than in the UK.

**Andrew Fisher**

EXECUTIVE CARS 4

United Kingdom

# Challenging the Granada

THE UK executive/luxury car market has shown strong growth during the last three years and competition has been intensified by the launch of models as well as by new arrivals in the segment.

According to a recent report by the Economist Intelligence Unit on the UK passenger car market, the share commanded by the executive segment has risen from 8.7 per cent in 1986 to 9.3 per cent in 1987 and 9.8 per cent in 1988. It is likely to exceed 10 per cent this year.

Sales have jumped from 163,057 in 1986 to 186,203 in 1987 and 217,339 last year. This was against a background of rising overall new car demand in the UK with record sales levels reached for four successive years from 1985 to 1988 with a peak last year of 2.2m units.

The surge in UK new car sales has continued unabated in the first five months of the year with a further jump of 9.1 per cent to just over 1m units, in spite of widespread forecasts of a weakening in demand in 1989 and in the face of rapidly rising interest rates.

New car sales in this country have breached the 1m mark before June for the first time. Manufacturers have been forced to upgrade their sales forecasts, and a record appears assured in 1989, even if the expected downturn materialises later in the year.

Executive car sales in this country are dominated by the Ford Granada, Rover 800, Vauxhall Carlton and Volvo 700 ranges. The Granada, the market leader, has come under heavy pressure from its traditional rivals.

Peugeot group of France with launches under both the Citroën and Peugeot marques later this year and in 1990 are likely to further reduce the Granada's hold.

BMW of West Germany is carving out a growing share of the executive/luxury market segment in the UK, after success in the rest of Europe, boosted by the outstanding success of its new 5 Series

**The Granada has come under heavy pressure from its traditional rivals.**

models, as well as by rising demand for its luxury 7 Series unveiled in late 1986.

Granada sales showed only a marginal increase last year of 1.4 per cent to 35,520 from 35,041 with a fall from 37,500 in 1986. According to the latest forecast from DRI Europe, the London-based automotive analyst, Granada sales are set to tumble this year to only 29,600.

Ford is trying to boost sales of its Granada/Scorpio range by improving the specification of every model at no extra cost.

The ageing 2.4 litre V6 engine, previously available in the Granada GL, Ghia and Ghia X models is to be replaced by the new 2 litre DOHC engine, the first twin cam power unit manufactured by Ford in one of its own engine plants.

Granada sales are unlikely to recover, however, before the expected launch in 1990 of a booted saloon version, aimed at allaying criticism that the car has only been available in hatchback form.

The big advance in the UK luxury segment has been achieved by Rover Group with its 800 series. The model, the product of the company's first joint development programme with Honda of Japan which also spawned the Honda Legend, was launched in 1986.

It has been helped by the introduction of the Honda 2.7 litre engine to replace the previous 2.5 litre power unit, and the launch last year of the first derivative models.

The Fastback series gives Rover a hatchback executive car including the Vitesse version, the fastest Rover production car.

Rover 800 sales in the UK jumped last year by 43.4 per cent to 28,966 from 20,200 increasing the share of the total UK market captured by the 800 range to 1.31 per cent from 1.0 per cent in 1987.

The Vauxhall Carlton has also achieved big gains although not in as spectacular fashion as the Rover 800 series. Sales of the Carlton just stayed ahead of the 800 series in 1988 with an increase of 26.8 per cent to 28,990 from 22,864 in 1987.

Volvo has gained an increasing share for its 700 series with an increase in its UK sales last year of 32.5 per cent to 25,070. This advance was partly at the expense of its ageing 200 series whose sales dropped by almost 26 per cent to 7,904.

Peugeot group has been one of the fastest growing car makers in the UK market in the last three years with both its Peugeot and Citroën marques making impressive gains.

In the first five months of 1989 the group captured 9 per cent of UK new car sales with the Peugeot marque taking 6.1 per cent and Citroën falling back slightly to 2.9 per cent following a spectacular advance from 1.5 per cent in 1985.

Both Peugeot and Citroën have hitherto had only a marginal presence in the UK executive car sector having achieved their big successes in the supermini and large family car segments.

This is likely to change dramatically over the next 12 months as the Peugeot group launches two executive car contenders: Citroën's XM, unveiled in the spring, and the Peugeot 605, due for launch in the autumn.

The two cars will share many components in line with the increasing rationalisation of Peugeot's two car lines, but the XM and the 605 will have a radically different styling.

The top of the line Citroën XM models have been launched with the company's so-called "hydractive" suspension, claimed to be one of the most advanced electronically controlled suspension systems in a production car.

According to DRI forecasts Citroën's sales of the XM in the executive car segment in the UK could jump to 6,500 units next year and 7,400 in 1991 compared with sales in 1988 of only 1,300 for the old CX.

Equally big gains are forecast for Peugeot in the segment with a jump to 6,800 in both 1991 and 1992 – the first full years of sales following a 1990 UK introduction – from sales of only 2,400 this year for the old 505.

Traditional executive car marques are facing a challenge from fresh rivals in the UK market.

Nissan, Japan's second largest car maker, is determinedly moving into the more lucrative upper market segments in its domestic market as well as in the US and west Europe.

It has refused to disclose its plans for entering the luxury car market with its Infiniti range, to be introduced in the US in the late autumn. In the UK it is moving into the executive sector with its 3 litre V6 Maxima saloon launched in October last year.

At the same time Hyundai, the South Korean car maker, is entering the UK executive car market for the first time with the launch of its 2 and 2.4 litre Sonata range. The model breaks ground for Hyundai and is the most sophisticated car the company has made.

The Sonata will be sold heavily on its price, which ranges from £9,500 to £13,700, although seeking to challenge the Ford Granada, the Vauxhall Carlton and the Rover 820 in size and specification.

Hyundai has sold more than 50,000 vehicles in the UK in the last seven years in the lower

**The big advance in the UK luxury segment has been achieved by Rover's 800 series.**

segments of the market.

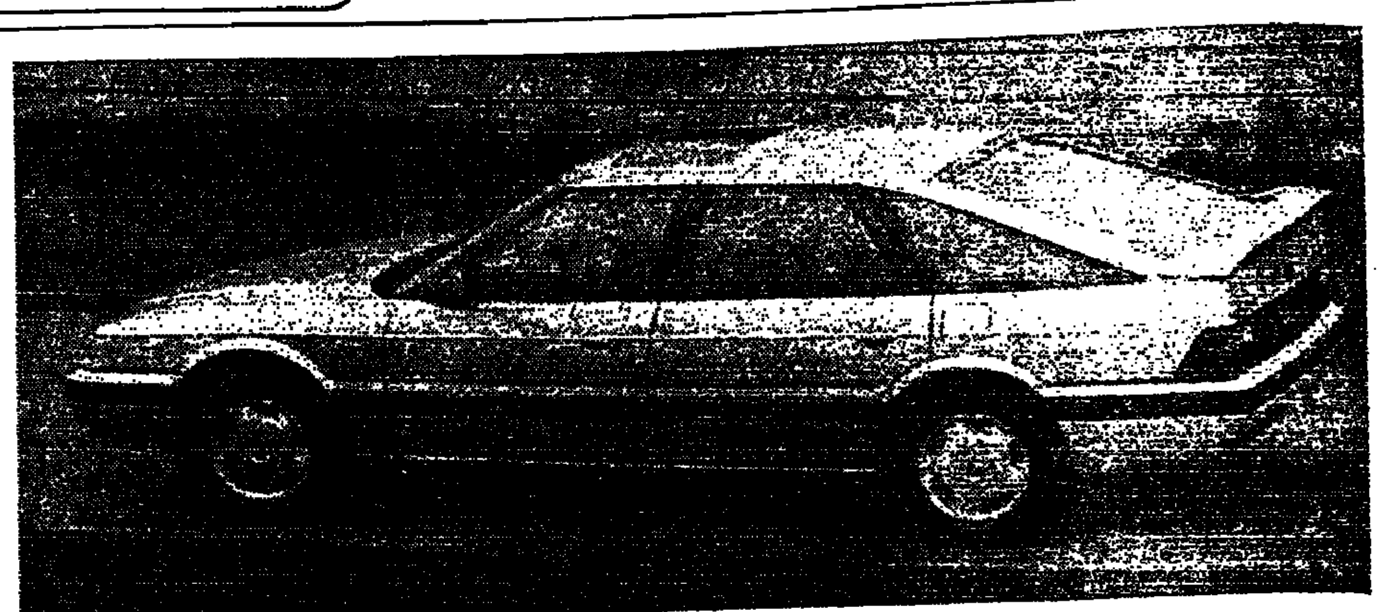
Jaguar has enjoyed strong worldwide sales growth during its strong recovery from the beginning of the 1980s. The company's financial fortunes have deteriorated in the last couple of years, however, under the impact both of the falling value of the US dollar and lower US sales. The US still accounts for about 40 per cent of its sales volume.

In the UK, Jaguar enjoyed a big jump in sales by 49.5 per cent in 1987 – following the launch of its new XJ6 saloon in the previous year – and by 30.5 per cent in 1988. This year, however, the rate of sales growth in the UK has slowed with an increase of only 2.7 per cent in the first five months.

Jaguar output fell by 5.7 per cent in the first three months of 1989, reflecting the weaker sales performance in the US and in contrast to the overall surge in UK car production.

Jaguar expects output for the full year to total between 50,000 to 52,000 compared with the 54,000 forecast in March. Production is expected to fall below last year's total output of 51,939 with the first annual decline since the start of the company's recovery in 1980.

**Kevin Done**



The Rover Vitesse, part of a joint development programme with Honda, is the company's fastest production car

Italy

# Symbol of upward mobility in a land of car worshippers

A JOURNEY on any Italian motorway swiftly presents the acute observer with a good indicator of the rhythm of growing prosperity – and also of its increasingly cavalier attitude towards the speed limits.

Sailing down the fast lane at speeds between 120kmh and 200kmh are fleets of Alfa Romeos, Lancias, BMWs and Mercedes, to mention just four leading marques. Many of them are chauffeur driven and all, unmistakeably, are executive cars.

These cars are important status symbols in a country which reveres the motor car and respects outward manifestations of wealth. A translation from a BMW 3 series to an Alfa 164 or Mercedes 190 is a sign of the rising executive or of an increasingly successful family businessman.

The final choice of vehicle may be influenced by fashion or the loyalty Italians exhibit towards Fiat Group, their national manufacturer. But the essence of upward mobility is to move into that price range which distinguishes the executive car.

Italians, after five consecutive years of robust economic growth, are getting richer. Economic growth in 1988 of 3.9 per cent, the highest of the decade, saw executive cars take their largest ever share of total new car deliveries.

**The essence of upward mobility is to move into the price range of the executive motor car.**

In 1984, for example, total sales in the main executive car segment, E, were 90,265 or 5.51 per cent of that year's total domestic car sales. The total volume and market share of this category has steadily risen to 6.6 per cent or 135,504 units in 1987 and 155,795 or 7.1 per cent last year.

If segment F, the higher priced, higher performance cars, is included, then total sales topped 190,000 units last year to reach 8.6 per cent of the total market.

Nothing is happening on the general economic front to suggest that the Italian boom is grinding to a halt, although it may be slowing slightly. Executive car sales in the first quarter of this year were slightly underperforming in comparison with the same period last year but that may just be a seasonal blip.

| SEGMENT E SALES | 1988 | 1987 |
|---|---|---|
| Fiat Croma | 41,846 | 39,084 |
| Lancia Thema | 31,937 | 40,733 |
| Alfa Romeo | 29,986 | 10,095 |
| Peugeot | 320 | 607 |
| Audi | 964 | 1,361 |
| Rover | 1,488 | 1,519 |
| Renault | 5,143 | 5,680 |
| BMW | 22,221 | 16,402 |
| Ford | 821 | 973 |
| Mercedes-Benz | 12,406 | 12,499 |
| GM-Opel | 4,446 | 3,956 |
| Volvo | 4,187 | 4,118 |

One of the most significant characteristics of last year's market was the dominance of domestically produced cars. This has been a remarkable development since 1984 when the Italian share of executive car sales was only 37 per cent, comprised mainly of Alfa Romeos because Fiat and Lancia lacked strong contenders.

Last year, the Fiat Group, now the increasingly satisfied owner of Alfa Romeo, took 66.9 per cent of all segment E sales. This success was reflected in the company's record profits – profit margins on executive cars are significantly higher than on the smaller models which have traditionally been the Fiat staple product.

Fiat's grip on the market began to tighten with the arrival of the Lancia Thema in 1985 and then with the Fiat Croma in 1986.

The acquisition of Alfa, from the Iri-Finmeccanica state holding company, at the beginning of 1987 and the launch in September of that year of the Alfa 164 (conceived and designed by the old public sector appointed management team) has greatly consolidated the marketing power of Italy's largest privately-owned company.

Alfa 164 sales have greatly exceeded expectations – the company says that they are running 20 per cent ahead of the original marketing plan. Above all, Alfa has been surprised by demand for the 3 litre 6 cylinder version which sells at L51.2m, partly thanks to a 38 per cent VAT rate on cars of this engine size.

Prices of the other three models – the 2 litre Twin Spark, the 2 litre turbo and the 2.5 litre diesel range from L31.8m to L41.8m.

Price is not held to be an important variable in the marketing of executive cars, partly because a proportion is purchased by companies (although this is said to be a much less important phenomenon than in the British market) and partly because the prospective owner attaches a higher priority to factors such as safety, relative performance and gadgetry.

**Fiat's grip on the market began to tighten with the arrival of the Lancia Thema and the Fiat Croma**

Alfa said that safety features are becoming a prime sales factor for cars in this range and believes that the next technical innovation by manufacturers will be the introduction of four-wheel drive models.

The 164 is the first front wheel drive car produced by the Fiat Group and presumably the experience will be valuable in developing four-wheel power.

The 164 has drawn customers away from the longer-established Lancia Thema which sold 31,937 units last year compared to a peak of 40,733 in 1987.

Fiat said it thought the loss might have been higher and believes that, in marketing terms, it has successfully differentiated the images of the two cars. The Lancia emphasises luxury and has a classy image while Alfa emphasises its sporty, racy performance.

The other most notable development in the Italian executive car market has been the revival, after four years of steady decline, of the BMW.

The German producer's new 5 series and 7 series models have been in strong demand so that total deliveries climbed from 16,402 units in 1987 to 22,221 last year.

No other importer has managed to match this growth. Mercedes-Benz stayed virtually static with 12,406 units against 12,499 the year before. Volvo sold a handful more, 4,187 units against 4,118, while General Motors-Opel pushed slightly ahead from 3,956 to 4,446 units.

**John Wyles**



Sweden

# The untimely return of familiar difficulties

SWEDEN'S two automakers – Volvo and Saab-Scania – have been specialising in the executive end of the world car market during the 1980s and until recently their strategy of concentration on up-market models appeared to be paying off. But neither of them can be very pleased about their prospects.

During the first quarter of this year Volvo reported a 20 per cent rise in the value of its sales by the car division, from SKr9.26bn to SKr11.07bn. But the total number of cars delivered to customers fell by 1,000 to 106,000, compared with the first quarter of 1988, even though that period had been hit by a crippling national white-collar workers' strike.

A breakdown of Volvo's sales figures shows that the company suffered a fall in the sales of its 700 series – from 51,000 units in the first quarter of 1988 to 48,000 for the same period of this year as well as in the older 200 series from 25,000 units to 23,000. The good start by Volvo's 400 series, made in Holland, up from 4,000 to 15,000 in the first quarter helped to compensate for those slight declines.

The market is getting increasingly fierce for Volvo at the executive end. Last year the demand for upper medium class cars, the target area of the Volvo 300 and 440, went up substantially and accounted for as much as 22 per cent of the western European car market. However, the company's share of that segment dropped slightly to about 4.0 per cent compared with 4.5 per cent in 1987.

The Volvo 200 and 700 series, 13 per cent of the western European market last year, maintained their 11 per cent share of the segment.

**More disappointing for Volvo was the market in Scandanavia and the UK**

The stiffest challenge lies in the US, which still accounts for slightly bigger sales for Volvo than western Europe. Volvo's sales dropped by 7 per cent during 1988 in the US, mainly because of the dollar's low exchange rate, though performance did pick up in the last quarter.

This year Volvo has more than held its own in the US through a combination of shrewd marketing and an acceptance of smaller price increases for its models. In the first quarter of 1989 Volvo sold 25,400 units in the US compared with 24,100 for the same period last year.

More disappointing for the company has been the market in the Nordic countries and Britain. The trouble in Scandinavia stems from attempts by governments at reducing consumer demand in economies suffering from growing balance of payments deficits and inflationary pressures.

The car market is an obvious casualty in any dampening down of private spending. In Sweden, Volvo sales fell from 19,600 units in the first quarter of 1988 to 17,200 for the same period of this year. There is some hope that last year's decline in company sales to Norway and Denmark could be reversed during 1989. Volvo intends to make a marketing drive into western Europe and the Far East as a way of diversifying its sales outlets more effectively.

**The troubles at Saab-Scania are more serious than anything Volvo is likely to face.**

But the company is facing a return of familiar difficulties such as rising costs, fuelled by the wage inflation inside an overheated Sweden caused by a tight labour market. It also has uncertainties about the likely impact of the creation of the European Community's internal market by 1992.

The troubles at Saab-Scania are more serious than anything Volvo looks likely to face. There has been widespread speculation that the company is looking for a foreign partner for projects with its car division.

"We have insufficient volumes and the costs per produced unit are excessive, it is a question both of increasing earnings and reducing costs," declared Mr Georg Karnsund, Saab's president in April.

In the first four months of this year Saab recorded a 20 per cent rise in its sales to western Europe, a jump of 67 per cent to the small Far East market and an 8 per cent increase in sluggish Sweden.

Such achievements were not enough to compensate for the 19 per cent decline in the company's sales to the US for the first quarter of 1989, traditionally the car division's most profitable area. This followed a 15 per cent fall in the US executive car market in 1988.

Mr Karnsund blamed the recent US performance on changing tax regulations across the Atlantic, the improved quality in the US car industry and the upgrading of Japanese vehicles.

The launch of the Saab 9000CD last year was hurt by the national white-collar workers' strike but the company still believes that it can succeed with the model in the US.

Saab is developing a car to replace its elderly 900 range. It also intends to press ahead with the development of a car plant at Malmo in southern Sweden. But observers believe that the increasing volume sales of the 9000 will not rise fast enough to ensure acceptable profit levels for the car division this year.

**Robert Taylor**

France

# Peugeot spearheads assault on markets at home and abroad

The Citroën XM involved a five-year development programme and investments of FFr7.5bn

THE FRENCH car industry this year launched a large assault on the European executive car market.

Peugeot, the private group, spearheads the attack with two new top of the range models but Renault is improving and developing its R25 model which marked the state group's unexpectedly successful entry into the executive car market five years ago.

**France's executive car market is relatively small compared to West Germany's.**

The executive car market has traditionally been relatively small in France compared to neighbouring West Germany. It accounts for about 10 per cent of the overall French car market with 215,000 new registrations last year.

In contrast, executive cars account for about 22 per cent of the West German car market with nearly 700,000 new registrations last year.

Both Peugeot and Renault are trying to encourage demand for executive cars on their domestic market at the same time as challenging the West German car makers supremacy in other European markets with a blitz of new products.

Peugeot has a modest 2.7 per cent share of the European executive car market and Citroën, its sister company, an even smaller share of 1.8 per cent.

However, Citroën has just launched an executive model, the Citroën XM, which has involved a five-year development programme and investments costing FFr7.5bn. The group hopes the new model will substantially increase Citroën's share of the domestic executive car market at the same time as help the marque develop a stronger penetration in West Germany.

The private group hopes the XM will wrest about 1 per cent of the overall European car market and between 6.5 and 7 per cent of the European executive car market next year.

In France, the company's target is to see the XM secure about 2.5 per cent of the car market next year. Citroën says XM production should reach 100,000 units next year with about 50 per cent for export.

Peugeot will also be following up its offensive in the top end of the car market by launching later this year the Peugeot 605 to replace the ageing Peugeot 505. The group believes the two new models will complement each other rather than compete head on. The 605 is likely to be a more conservative car in terms of styling compared to the more idiosyncratic Citroën XM which boasts a "hydractive" suspension system combining electronics and traditional Citroën hydraulic suspension.

The Peugeot drive in the executive car market is expected to represent the biggest challenge to Renault which has dominated the domestic market in this segment during the last few years with its R25 model.

The R25 accounts for about 40 per cent of the French executive car market, known in France as segment H. To consolidate its domestic market share, Renault has introduced a wide range of different engines for the R25 and made a large effort to upgrade the quality and level of options on its restyled top of the range model.

The group is confident that the R25 will continue to compete successfully in this market segment not only in France but also in other European countries although the state car group acknowledges that the new Peugeot models will hurt. In Europe, the R25 has built up a 6.7 per cent share of the executive car market.

The assault on the executive car market by the two French car manufacturers also coincides with the strong recovery of both companies.

The French car market hit a record of 2.2m new registrations last year, buoyed by strong market demand and reaping the fruits of extensive restructuring. Peugeot recently reported record net profits of FFr8.85bn. Renault also reported record earnings of FFr8.9bn for 1988. Both French car groups sustained heavy losses in the early part of the decade, but have staged remarkable recoveries during the last few years.

The two groups respective drive in the top end of the market reflects their ambitions to strengthen their overall position in the European car market.

**Peugeot and Renault are challenging in Europe with a blitz of new products**

In the case of Peugeot, Mr Jacques Calvet, company chairman, has reiterated his ambition to see Peugeot take the lead in the European car market from Volkswagen and Fiat by the early 1990's.

Mr Raymond Levy, Renault's chairman, has also set his group ambitious targets to boost further his company's profitability and the group's market penetration.

Peugeot and Renault, both traditionally relying on their small and medium size models, have built up commercially successful model ranges to enable them to compete across the broad spectrum of the market and challenge directly not only the smaller car makers but also the long established European executive car specialists.

With the likely intensification of Japanese competition in the European market, the French manufacturers are now arming themselves with modernised car families which they hope will help them offset some of the growing pressure from the Japanese at the lower end of the market as well as minimise the impact of an eventual downturn in both the European market and their home market bases.

**Paul Betts**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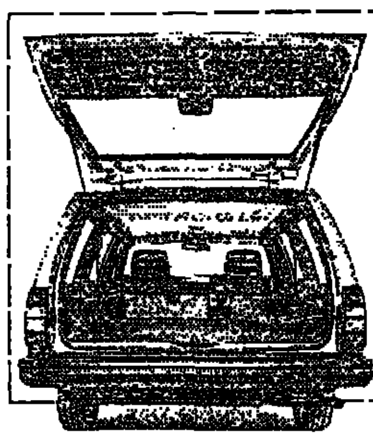

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**Kevin Done** finds the Japanese preparing an assault on the US

# Producers eye baby boom as it moves into middle age

TOYOTA and Nissan, Japan's two biggest car makers, are preparing to storm the last bastion of the world motor industry left unchallenged by the Japanese – the rarefied US market of high performance luxury cars.

In the autumn the two companies are launching luxury car ranges designed for the first time to allow the Japanese to compete with the likes of BMW, Mercedes-Benz and Jaguar in the the US, the world's biggest luxury car market. This segment of the world car market has hitherto been the exclusive preserve of a select band of European car makers.

Both have opted to establish *quite separate franchises in the* elusive search for exclusivity. Toyota chose the name Lexus while Nissan chose Infiniti, following the lead taken by Honda a couple of years ago with the launch of its Acura luxury car franchise in the US.

The first of Toyota's flagship luxury saloons, the Lexus LS 400, rolled off the assembly line last month at the company's Tahara plant near Nagoya, en route for the US.

The LS 400, after six years in development and Nissan's rival, the Infiniti Q45, are the most luxurious and technologically advanced cars that have ever been developed by the Japanese automotive industry.

The Lexus will be launched throughout the US on September 1 through a new network of 65 dealers and by the end of the year there should be about 100 dealers in operation.

The first shipment of cars is scheduled for later this month, and the cars will begin to arrive in US showrooms in August as dealership facilities are completed.

Nissan's Infiniti range will be launched two months later in early November. Mr Bill Bruce, vice president and general manager of Nissan's luxury car division in the US, maintains that the Infiniti "represents a whole new way of thinking about building and selling luxury cars." Both Toyota and Nissan will also be selling on price.

Toyota and Nissan lack all the accumulated heritage and prestige that mark out names such as Mercedes-Benz, Jaguar, BMW or Porsche. They have no tradition in this hallowed segment of the world market and are entering aggressively on price.

Both are pitching their luxury cars firmly in the $20,000-$40,000 range, and earlier this month Toyota fixed the base price of its flagship Lexus LS 400 at $35,000. This undercuts its European competitors by $9,000 to $26,000. The LS 400 could cost $43,300 with all available options.

**Japanese car makers hope that many baby boomers who bought smaller Nissans, Toyotas and Hondas will now buy their luxury cars as they reach affluent middle age.**

The LS 400 price compares with the $44,000-$45,000 for the base model Jaguar XJ6, Mercedes-Benz 300E or BMW 535i. Lexus maintains that in terms of size, specification and performance the LS 400 is more properly competing with the Mercedes-Benz 420SEL and the BMW 735i, where the comparable prices are about $62,000 and $55,000 respectively.

Infiniti has not yet announced the prices for its Q45 V8 saloon and its M30 V6 coupé, but it is expected to follow the Lexus lead.

The Europeans would appear to have played right into the hands of Toyota and Nissan. As the value of the dollar plunged in recent years the European luxury car makers raised their prices sharply to compensate for the sudden loss of dollar revenues. Their rising prices opened up a yawning gap between the $20,000-$30,000 charged by the US luxury car makers for their top of the line Cadillac and Lincoln luxury cars and the $40,000-$70,000 demanded by the Europeans.

"Thanks to currency-related price hikes combined with BMW and Mercedes' latest strategy to move their products even further upscale, there's an opportunity that did not exist even a year ago in that mid-priced luxury market," says Mr Jim Perkins, until recently senior vice president of the Lexus division.

Toyota and Nissan are stepping into the US luxury car market at a time when the Europeans' hold appears far from impregnable. Demand for luxury imported cars from Europe was plunging last year while the US auto industry continued to bask in strong sales.

BMW's US sales fell by 16.5 per cent in 1988. Porsche sales in the US dropped by a third and were less than half the 1986 peak of 30,000. Jaguar's US sales fell by 9.6 per cent and the company's profits were more than halved under the twin impact of the falling dollar and lower US sales.

In the first half of 1989 the US car market has weakened and several of the European marques such as Mercedes-Benz, Jaguar and Porsche are still suffering from a further fall in sales. At the same time both Cadillac and Lincoln have achieved slightly higher sales in a falling market, and BMW appears to have halted the decline.

**In the first half of 1989 the US car market has weakened and several of the European marques such as Mercedes-Benz, Jaguar and Porsche are suffering from a fall in sales**

The Japanese push into luxury cars has been encouraged by more fundamental factors. Most importantly, the growth they expect to come in the overall luxury car market, as the baby-boom bulge in the population moves upwards with the baby boomers moving into their prime earning years. Japanese car makers hope that many baby boomers who bought smaller Nissans, Toyotas and Hondas will now buy their luxury cars as they reach affluent middle age.

Toyota is looking for a median age of 43 and a median income of $100,000 a year for buyers of its LS 400 flagship model.

"The sheer number of buyers in the 35-65 age group will increase from 78m to more than 84m, a 21 per cent increase in five years," says the company.

"The number of households with annual incomes over $50,000 will increase from 10m to 19m over the next five years." Toyota is confident that the US luxury car market will grow strongly in spite of setbacks in the last two years from about 965,000 units at present, to 1.08m in 1990 and to more than 1.4m by 1995.

It hopes to sell 16,000 Lexus cars in the last four months of 1989 and 75,000 cars in its first full year on the market. "Down the road we see the potential for 125,000 to 150,000 sales," says the company.

Little has been left to chance in these billion dollar projects. Mr Takeshi Oka, Nissan's lead designer for the Infiniti project, spent months living with a family in the US "to better understand the way Americans think and feel about their cars."

The LS 400 began to take shape in the summer of 1985 when the first Toyota design team went to the US and spent three months in the affluent Laguna Beach area of southern California *studying the luxury* car market. The first artist renderings and clay models were completed during this trip.

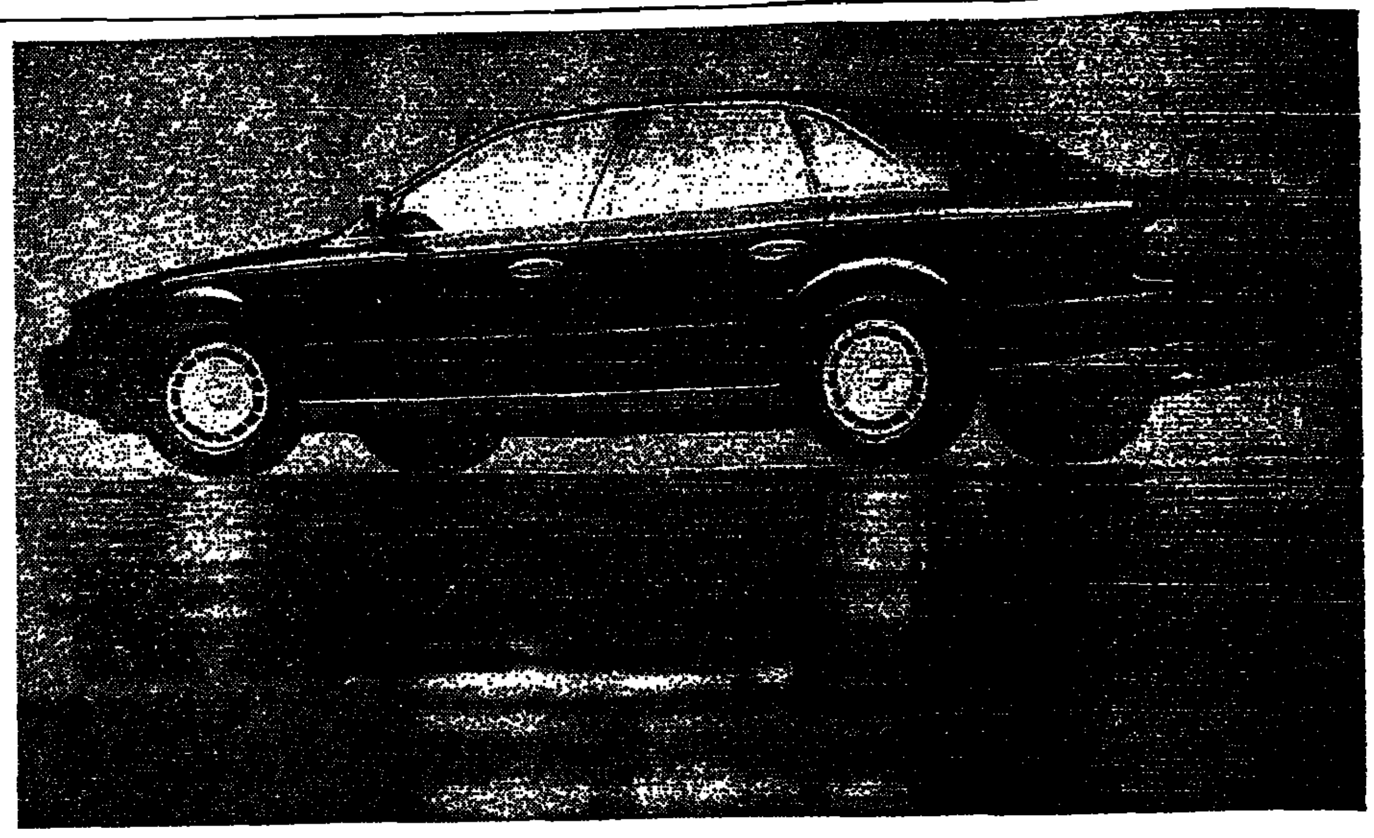
Toyota set up 24 engineering teams with nearly 4,000 engineers and technicians with the brief of creating "the finest luxury sedan in the world."

The products of the European competition were minutely dissected. Each of the Toyota teams targeted the very best car in their engineering discipline *and then set* out to beat it from engine performance, to suspension technology, noise, vibration and harshness (NVH), ergonomics, safety, even audio systems.

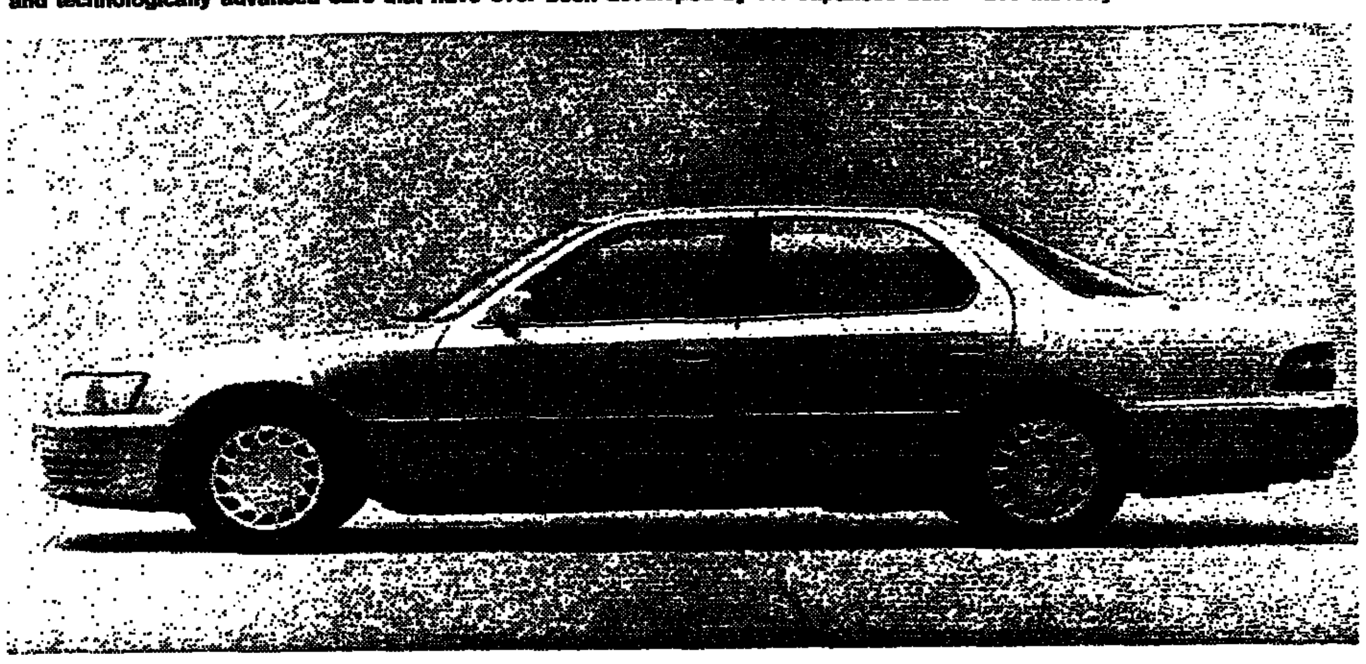
It is hardly suprisng that the *LS 400* has more than a hint of the Mercedes-Benz S-class, while the Infiniti Q45 bears a passing resemblance to the BMW 7 Series.

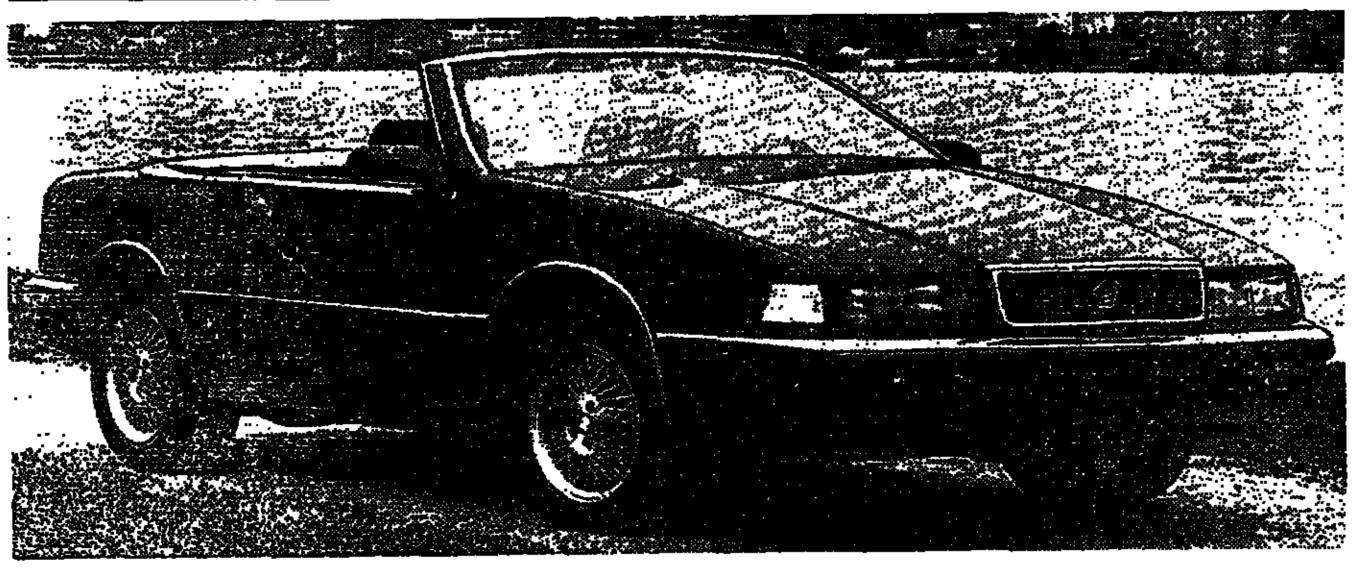
The styling solutions of the Lexus and Infiniti products *have diverged, but* both have chosen to develop all-aluminium 32-valve four cam engines.

Nissan has gone for more power and performance, however, with a 4.5 litre engine producing more than 270bhp and a top speed of 144mph, compared with the 4 litres and 250bhp of the Toyota unit.



Nissan's Infiniti Q45 (above) and Toyota's rival, the Lexus LS 400 (below), which took six years to develop, are the most luxurious and technologically advanced cars that have ever been developed by the Japanese automotive industry.





Chrysler's TC, designed by Maserati, spearheading the revival of the US luxury sports coupé

US car makers are tracking Japanese moves, says **Karen Zagor**

# Preparing to meet boarders

*US CAR manufacturers will* track with eagle-eyes the progress of the Toyota Lexus and the Nissan Infiniti when they hit the market this autumn.

The two models, to be launched in September and November respectively, may signal a new era in the US luxury car market although American car makers feel that they have little to fear initially from the Japanese expansion into luxury cars.

Only one luxury Japanese car, the Honda Acura, has so far been available in the US and it has been a respectable player since its launch in 1986.

The domestic market appears to be growing fast enough to accommodate both Japanese and US entries, and American manufacturers are concentrating on carving out a greater market share for themselves.

The Japanese are likely to *target European brands* for competition, rather than US marques. However, if the Japanese are as successful here as they have been with less expensive cars, they will become formidable competitors in a lucrative market.

The reason for Japanese interest in the US is self-evident – the US is the world's biggest market for luxury cars. The sector is generally profitable although luxury cars make up only a small part of overall auto sales.

"If profit is a percentage of price then this is a traditionally lucrative market," says Mr Harold Jackson, a spokesman for General Motors.

The Japanese are counting on sustained growth in top-of-the-line car sales as the baby boom generation ages into high income executives willing and able to spend money on expensive cars.

This generation has been a target market for the smaller, less expensive Toyotas, Nissans and Hondas, and the Japanese car makers are hoping that their customers will remain loyal to the brands of their youth as they move into pricier vehicles.

Toyota expects the luxury car market to grow to 1.08m units in 1990 from about 965,000 at present and to top 1.4m by 1995. Sales for the Lexus are projected to be about 16,000 units in the first full year, eventually expanding to sales of between 125,000 to 150,000 units.

**The domestic market appears to be growing fast enough to accommodate both Japanese and US entries but American manufacturers want to carve a greater market share**

According to Mr John Fleming, Cadillac's general director of marketing and production planning, the European luxury car companies will be hit *harder by the new Japanese* entries than the US manufacturers.

Mercedes-Benz and BMW have a traditional stranglehold on the upper echelon of the US auto market and the new Japanese cars are closer in looks and style to these market leaders than to the classically American Cadillacs.

The Japanese luxury models, with prices pegged in the *$20,000 to $40,000 range*, will under cut BMW and Mercedes by as much as $30,000.

"We're keeping an eye on the competition. Although so far the Japanese are more of a threat to Mercedes and BMW, we're taking them seriously," says Mr Fleming.

He estimates that Cadillac has about 28 per cent of the US luxury car market, if that market is defined by a price of more than $20,000.

The biggest market for luxury cars in the US is defined as the "Smile" – with the grin starting along the California coast, sweeping down along the warm southern states before turning upwards along the eastern seaboard.

The importance of this market is not lost on the Japanese – Toyota sent a team of researchers to Laguna Beach, a wealthy southern California beach town, to study the luxury car market.

US auto makers such as Cadillac, part of General Motors, are, for the moment, more concerned about meeting consumer requirements than competing with the Japanese.

Cadillac, the traditional dowager duchess of US luxury cars is experiencing something of a revival with the launch of its restyled De Ville/Fleetwood model.

Cadillac sales slumped when the company jumped on the small car bandwagon in 1986 and introduced a slimmer, *trimmer Fleetwood. The return* of the larger Fleetwood model has so far been successful, according to General Motors.

Cadillac's success is underscored by the sales figures which for 1989 are expected to be about 270,000 units, accounting for about 28 per cent of the market, says Mr Fleming.

This represents an increase of 10 per cent over 1988, most of which is attributed to consumer acceptance of the bigger Fleetwood.

Chrysler is another big US car manufacturer which will keep tabs on how the Japanese are faring in luxury cars. The company, headed by Mr Lee Iacocca, is returning to the luxury car market after a decade's hiatus.

Mr Joseph Capana, vice president of Chrysler/Plymouth division, says: "Little more than a year ago, the only upscale car Chrysler offered was the rear wheel drive Fifth Avenue sedan. Since then we've introduced the larger New Yorker and the New Yorker Landau sedans. Now we have the TC designed by Maserati and later this year we'll introduce two more luxury sedans – a new Fifth Avenue and a new Imperial."

Chrysler left the luxury market during what Mr Tom Jacobowski, a company spokesman, describes as "*the loan guarantee years*." The company moved out of the over-$20,000 price bracket until the launch of the New Yorker.

"Over the years, Chrysler had a reputation as a luxury car line. That reputation was put on the shelf while we fought for survival in 1979-80. With the New Yorker in 1988, the company has returned to bigger, more luxurious cars, *though* not the behemoths of old," says Mr Jacobowski.

"It is a bit premature to say we're competing with the Japanese given Chrysler's recent return to the luxury market."

**John Griffiths** assesses the strength of the European producers

# Pincer movement threat to complacent manufacturers

LAST YEAR Japan exported 4.43m cars. Just over 2.27m went to North America, in *spite of surging production* from Japanese-owned plants within the US and Canada whose total vehicle output this year is expected to reach 2m.

Another 1.45m cars found their way to Europe, where *Japanese cars account for* about 11 per cent of the west European market.

The 11 per cent average disguises some wide variations. In markets such as Switzerland and Austria, lacking indigenous *motor* industries, the Japanese share is over 30 per cent – in Finland it is more than 40 per cent.

In France and Italy, Japanese penetration is about 3 per cent – the result of tough national import restrictions which cannot survive after the intended creation of the single EC market in 1992.

It is not just imports which are worrying European car makers. Toyota's announcement in the Spring that it intends to build a 200,000 cars a year plant in the UK, Nissan's expansion of its UK plant to 400,000 cars a year later in the 1990s, and hints of production "invasions" from the other main Japanese producers show all the signs of a repeat of Japan's "pincer movement" attack on North America.

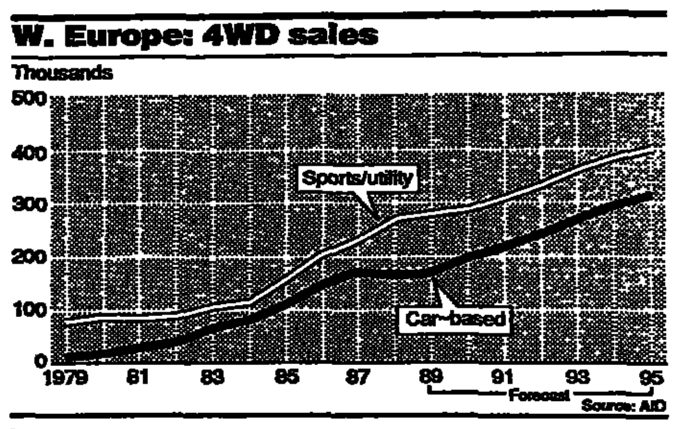
One pincer is represented by the production of cheaper, higher volume cars in the "host" country, which in the past has helped defuse some of the criticism about the sheer volume of imports.

The other is represented by direct imports from Japan of the increasingly hi-tech, high *profit margin executive, sports* and luxury cars with which the Japanese manufacturers are now targetting the west's up-market cars industry.

Until recently, European producers had felt able to contemplate the enormous upward surge of the yen against western currencies and conclude that at last the Japanese would face real problems in exporting from what would now be a high cost base country. This was in spite of the swift advance of the Japanese producers in terms of the sophistications and attractiveness of their up-market cars.

That complacency has been shattered this year by the realisation that the leading Japanese companies have not only been able to adjust to the higher yen, but also have increased their profitability by paying more attention to their domestic market as well.

**W. Europe: 4WD sales**




The European industry is coming to accept the start of the battle for domination of all levels of the European market. The important question is on precisely what terms is it to be fought?

The conditions that will be applied to Japanese imports post-1992 have been the subject of much internal EC debate over the past few years, but at least the outline of a strategy is now emerging.

European Commission officials will start discussing it in detail with both Japanese government officials and individual EC car-producing states later this summer.

The plan, primarily the brainchild of Mr Martin Bangemann, the Internal Market and Industry Commissioner, will not be welcomed by companies such as Fiat, which has already made strident calls for a lengthy period of firm protection for the European car industry after 1992.

Its ingredients include, the abolition of all national import quotas, including the 11 per cent ceiling of the "gentlemen's agreement" between Japan and the UK and other restictions imposed by Spain and Portugal; the rejection of calls by the European *industry* for specific, minimum local content rules for cars produced by Japanese-owned plants inside the EC; the ending of all technical and taxation barriers inhibiting the free trade of cars between *member states – thus* making it virtually impossible for hard-line countries like France and Italy to find ways of circumventing a ban on bilateral restrictions.

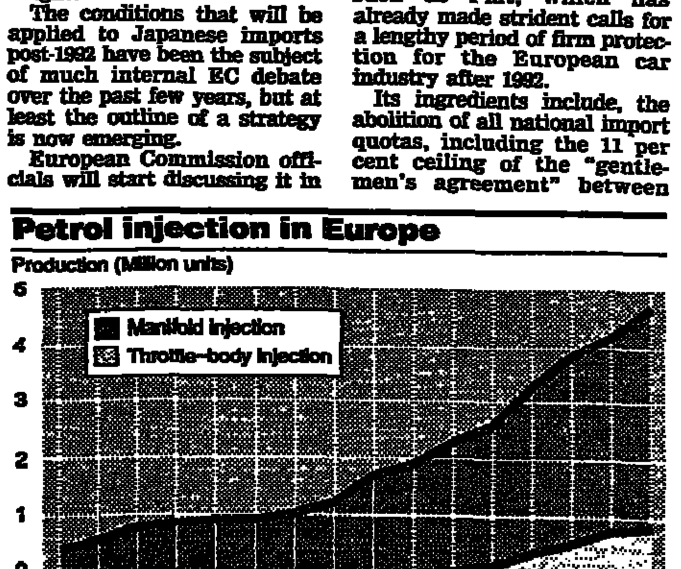
The Commission is perfectly aware, however, that to award Japan's car makers immediate open season in Europe would be to invite the inflicting of severe damage on indigenous producers.

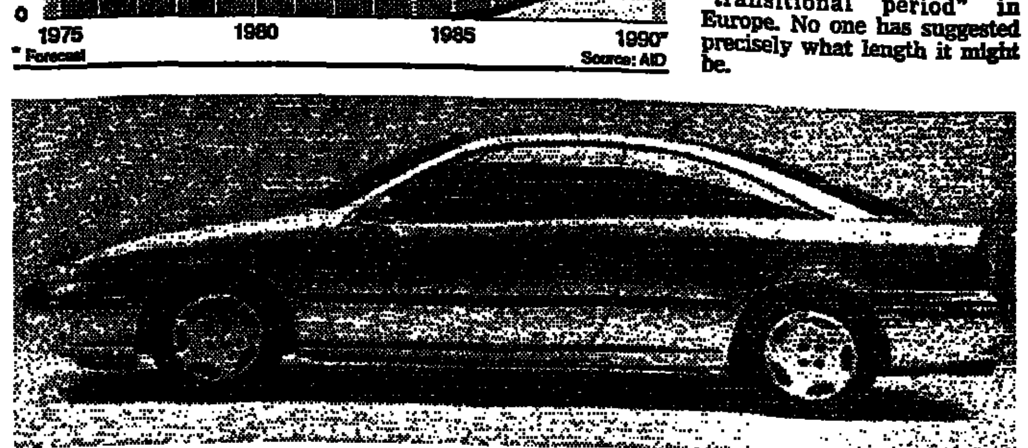
Mr Frans Andriessen, the External Trade Commissioner, will go to Tokyo to discuss the setting up of a voluntary export restraint agreement between the the Japanese and the EC thus allowing Japanese car sales to find their own levels in individual EC states subject to an overall import ceiling.

**The Commission knows the dangers of awarding an "open season" in Europe**

The Commission does not, of course, put it as strongly as that – it talks of a monitoring system. The Japanese, sensitive about its still enormous trade surplus with the west, are *indicating* that they are likely to accept some form of restraint during a post-1992, "transitional period" in Europe. No one has suggested precisely what length it might be.

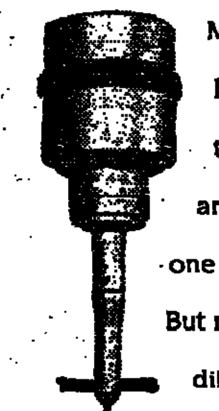
**Petrol injection in Europe**



GM's answer to the Japanese push is the 140mph Opel Calibra, to be launched in the autumn

### If It Doesn't Measure Up It Goes No Further



COMPUTERISED PINPOINT ACCURACY.

Most manufacturers can build cars that look well made, so it is hardly surprising the differences between a Mercedes-Benz and all the rest may amount to only one millimetre.

But minute differences on paper make enormous differences on the road.

And the reason Mercedes-Benz can search for, and find, this extra precision is simple enough: they use the most sophisticated measuring devices in the world.

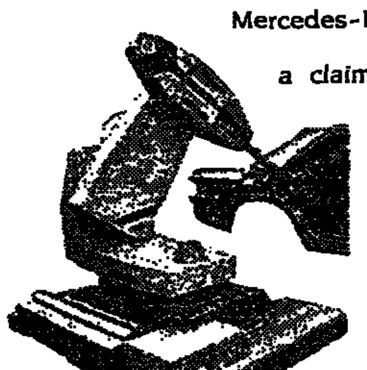
In a room wholly isolated from external resonance, a room as clinical as an operating theatre, body shells from the production line of every new model run the gauntlet of highly specialised robots.

Like enormous, elegant aliens, these glide over each body shell searching every contour at 3,500 different points for any misalignment or imperfection no greater than the size of a pinhead.

Only faultless body shells signal that final production can at last begin and, on the assembly line, even more fastidious robots patiently wait. Filled with computer-controlled video cameras that search laser illuminated car bodies for the smallest imperfection, each of those electro-mechanical boffins complete in a week the work it would take two men a year to achieve. And they cannot be deceived. If there is more than 1.0mm variation in a single measurement, the whole shell is rejected.

That is why everything on a Mercedes-Benz fits so precisely. Why panels and trim align exactly. Why doors close with that discreet, terminal 'thunk'. Why these cars are not prone to rattle.

Mercedes-Benz build quality is legendary, a claim that is not wanton exaggeration, but a fact that can be measured.



ROBOTS THAT CHECK THE WORK OF OTHER ROBOTS.

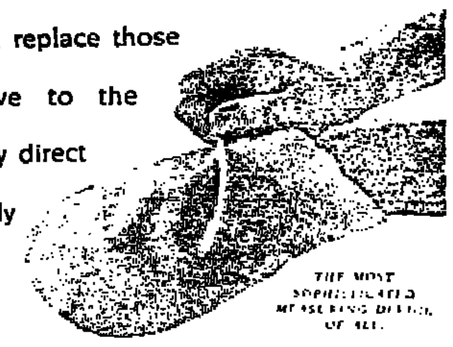
### No Substitute For The Human Touch

Thousands of people at Mercedes-Benz concern themselves solely with 'quality assurance'. Unlike conventional quality control, this procedure is designed to prevent quality problems rather than rectify them. That's why many of the quality assurance team have to be qualified engineers.

Yet a degree in engineering is no more important than the educated touch of a quality inspector's hands on the pristine surface of a raw body shell.

The only piece of equipment each inspector uses is a brushed cotton mitten, worth only a few pence. If he is right-handed, the inspector will use a mitten on his left hand which is less hardened by everyday use and therefore more sensitive than the right.

When his experienced fingers are run over a weld joint or body panel, the minutest flaws become apparent. No robot can replace those practised fingers, alive to the smallest nuance, as they direct the hand-finishing of body shell surface. Or reject it as less than perfect.

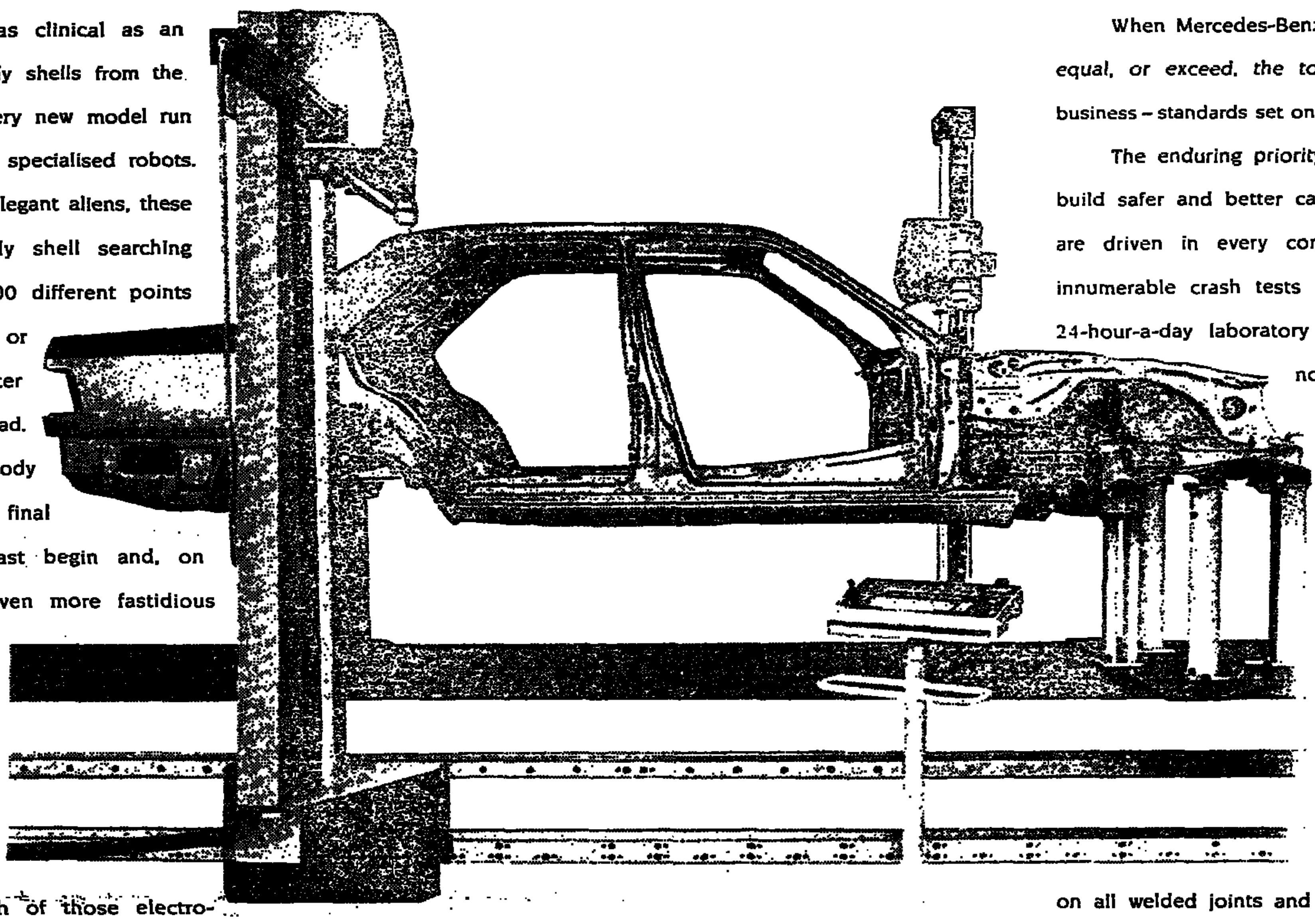


THE MOST SOPHISTICATED MEASURING DEVICES OF ALL.

### Highest Standards In The Motor Industry

When Mercedes-Benz build a new car it must equal, or exceed, the toughest standards in the business – standards set only by its own predecessors.

The enduring priority is the need, always, to build safer and better cars. Millions of test miles are driven in every conceivable condition, and innumerable crash tests are assessed. Months of 24-hour-a-day laboratory work simulate years of normal wear and tear. Long-term exposure in purpose-built test chambers, using controlled humidity levels, has resulted in anti-corrosion measures tailored precisely to the specific needs of different parts of the car body. Zinc phosphating, chromatic rinsing, electrolytic priming, PVC coating on all welded joints and the underbody, ensure a corrosion resistant armour. In addition, a creeping wax solution is injected into all hollow body sections, while layer upon layer of primer, anti-chip coating and undercoat, are all added before the top coat is applied.



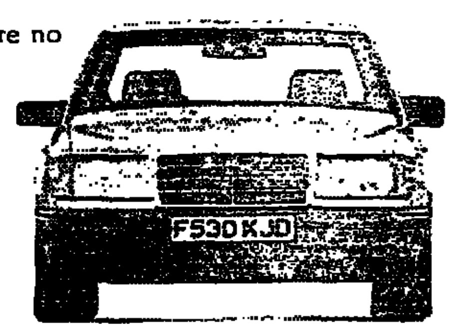
# It missed being a Mercedes-Benz by 1·0mm

### Computers And Robots Are Never Enough

But the real miracle is the ability of Mercedes-Benz to maintain unparalleled build quality as it meets the challenge of designing today's necessarily more complex motor cars.

The secret ingredient, if secret it be, is the most complicated piece of equipment of all. The human being. From those educated fingers in cotton gloves to the detailed analysis of the quality assurance engineer.

When Gottlieb Daimler called for "The best or nothing," there were no computers or robots, no environmental pressure groups or government safety regulations.




THE 190E. A MEASURE OF MERCEDES-BENZ SUCCESS.

But there was a standard demanded and never relinquished. At Mercedes-Benz you'll find as many as three generations of one family working side by side to ensure that every Mercedes-Benz motor car is made as it should be. As it must be. Like no other car in the world.

RJA-160FT

**Engineered Like No Other Car In The World.**

The European Single Market may lower prices and increase choice, says **William Dawkins**

# Facing up to a future without protection

Mr Martin Bangemann: stunned EC ministers with his proposals for quotas but economic liberals, such as Sir Leon Brittan (centre) and Mr Frans Andriessen (right), supported him

IF ALL goes to plan, the march towards a European single market in 1992 should make executive cars cheaper and available from a wider range of sources.

That is a big if. The arrival this year of a new and more economically liberal European Commission, the organisation in the driving seat for the car industry's approach to 1992, has made the most highly protected car producers feel nervous that they will be subject to the rigours of a free market.

Yet Brussels *has only just* started to get to grips with the politically sensitive job of scrapping the trade and technical barriers which have traditionally cossetted Community car producers from Japan, their greatest source of competition.

Car production is the biggest industrial sector left out of the single market scheme, perhaps a reflection of its political influence as provider of 8 per cent of EC manufacturing jobs.

The outcome will matter to buyers as well as producers of executive cars, a sector of the market which is just starting to face serious competition from the Japanese who formerly focused on cheaper models.

Car liberalisation plans have already drawn protests from France, Italy, and Spain, which feel their producers need some form of EC protection against what they see as unfair Japanese competition.

West Germany – backed by some member states – cautiously supports liberalisation. That could easily change as Japanese executive models like the Honda Legend and Mitsubishi's top of the range Galant, move uncomfortably close to the territory held by BMW and Mercedes-Benz. So there are strong political reasons why the introduction of fresh competition, and presumably cheaper cars, will be slow.

Yet even the most protectionist car industry officials in Brussels accept their market will be forced open one day, even if it will be after 1992. The big unknowns are how the change will be organised and what kind of transition period can the car industry negotiate via their governments with the authorities in Brussels.

The industry is on weak ground, because many of its technical and trade barriers are contrary to international trade rules.

The Commission's latest attempts to lift the car industry's protective wraps began early this year with the arrival of the free-trade minded Mr Martin Bangemann as the new Commissioner for industry and the internal market.

He stunned a meeting of EC industry ministers in April by tabling a paper proposing the wholesale abolition of bilateral Japanese import quotas.

The quotas operate with varying degrees of legality by France, Italy, Spain, Portugal and the UK and represent 60 per cent of the 12.2m cars made in the EC last year.

Mr Bangemann's proposals are:

● To agree a timetable by the end of this year for phasing out quotas by the end of 1992. Japan would then be asked to monitor its EC exports – 9.6 per cent of the Community's 13.2m car registrations in 1988 – "for a clearly limited and fixed period," to be followed by complete market freedom.

The cautious, led by the French government, want a temporary EC import quota to help the market adjust to liberalisation, an idea ruled out by Mr Bangemann and most of his Commission colleagues.

● *To make it possible for cars* to obtain a single EC-wide technical approval for the first time.

This process was started in 1970, with a plan for 44 voluntary technical directives covering all aspects of car design, of which 41 have been adopted by member states. But it was blocked by France 12 years ago because of fears that Japan would be the first to benefit.

The Commission should table the three remaining directives, covering windscreens, tyres and towing weights by the end of the year, for subsequent adoption by EC governments. Proposals would follow early in 1990 to make the directives mandatory – subject to member states' approval – so that differing national requirements could no longer co-exist with those of the EC.

● Reduce national disparities in Value Added Tax and other kinds of car tax.

These vary from a mere 12 per cent in Luxembourg to more than 200 per cent in Denmark and Greece. VAT rates should converge naturally under the influence of market forces and the Commission's existing proposals on indirect taxes. But the Brussels authorities might have to take direct legal action on other types of car tax that act as trade barriers, said officials.

● *There will be no specific EC* local content rules as a condition for investment or for access to the Community market, though member states would be free to reach informal agreements on local content on a case-by-case basis.

Mr Bangemann has yet to win his colleagues' full consent to this last suggestion. It has worried France and Italy, following their abortive attempts to use local content criteria to restrict the sale of British-made Nissans in their countries. The paper also stresses that car industry investments must continue to be governed by strict controls on state aid.

At first, Mr Bangemann's fellow commissioners were divided as to whether to adopt this radical plan as official joint policy. Clear economic liberals like Sir Leon Brittan, in charge of competition, and Mr Frans Andriessen, in charge of external affairs, supported him - but the rest were more sympathetic to French and Italian car producers' pleas.

By the end of last month the Brussels authorities summoned enough of a consensus for the broad strategy – though not all the details – to permit Mr Bangemann and Mr Andriessen to start negotiations with Japan and the main EC car producing countries.

Those are the uncertainties. The practical consequences of overcoming them are explained in a study carried out by consultants Ludvigsen Associates as part of a broad Commission report on the economic benefits of 1992.

EC car makers should achieve a 5 per cent reduction in unit costs thanks to the economies of scale permitted by the single market plan, the study predicted.

That represented a saving of 2.6bn European Currency Units (£1.85bn), of which Ecu1.7bn comes from lower fixed costs like tooling and engineering. The rest comes mainly from the reduced labour costs expected to result from the wider use of robotics, plus the reduced cost of buying common components from other EC countries in a barrier-free Europe.

Of course, the cost savings are slightly different between countries, ranging from lows of 4.3 per cent in relatively open West Germany and the UK to 5.5 per cent in France and 5.7 per cent in highly protected Italy.

The average variation between models is less significant, from 2.7 per cent for a small car like a Ford Fiesta or Renault 5 to 2.9 per cent for executive models like the GM Omega or Renault 25. Clearly, the extent to which this feeds through to prices depends on how much competition member states agree to introduce to the market.

The study predicted substantial economies of scale from the wider use of so-called car platforms, the floorpans from which models can be both mass built and easily altered to suit the tastes of different markets.

The 30 platforms in use across the EC will fall to 21 by 1992, the study predicted. More producers would share platforms under the general stimulus to do more cross-border industrial co-operation provided by the single market. This would produce an automatic increase in production per platform and a fall in component prices, as car makers buy longer runs of similar parts.

It is impossible to say how much of these savings would come from the direct consequences of exposing the car industry to 1992-type rules and how much would derive from the car industry's own independent, technological progress, said the report.

It concluded that at best, the internal market effect was to speed up the restructuring and technical changes already taking place among Europe's car producers.

**John Griffiths** reflects on the long battle to bring the catalytic converter to Europe

# The 'cat' jumps the final hurdle

THE LONG rearguard action by several European states and car makers against the catalytic converter as a means of controlling vehicle exhaust emissions is over.

After December 1992 every car produced and sold in Europe will be fitted with a "cat."

This was greeted with great glee by the catalyst producers, such as Johnson Matthey, and catalyst "canners" – those who install the catalyst in their exhaust systems – such as TI group.

In theory, every new model executive and luxury car of 2 litres and above launched after October last year should already be fitted with a "cat," as should every car of 2 litres and above produced from October of this year.

That they should do so is provided for under part of an European Commission directive drawn up in 1985 after negotiations which first began

**The commissioners called for a greener solution to the emissions problem**

in Brussels in the early 1980s.

That directive, however, was "permissive" – member states did not *have* to apply it – and in the UK, *for example*, the Government decided that cars of this category would not have to comply until 1991.

Under this same permissive directive, it was intended that cars of between 1.4 and 2 litres – also embracing many executive models – should meet tougher standards, but not necessarily requiring "cats," by October 1991 for new models and October 1993 for all new cars.

Cars of up to 1.4 litres would have to meet stiffer, but still not very rigorous, standards by October of next year for new models and October 1991 for all new production.

The directive, however, represented one of the most grudging of all EC compromises.

The proposed small car standards, in particular, left the door open to Italian, French, UK and Spanish manufacturers to develop cheap lean-burn engine solutions to the standards. This would enable them to avoid the relatively much heavier cost of putting catalyst systems into the small cars on which their industries are heavily dependent.

Equally, it left countries with strong environment lobbies angered that the standards, and the lean-burn engines, would do a far less effective job of cleaning up the environment than "cats."

By early Spring of this year, there was a large row brewing over Dutch plans to take matters into their own hands inside Holland by offering tax incentives to buyers of cars meeting much stiffer, US-style standards. The entire compromise looked like falling apart.

A dramatic change took place in the course of the car pollution debate on April 9. It

Recognition of the VW retrofit catalyst (above) was helped by the soaring use of unleaded fuel.

**EC PASSENGER CAR EMISSION REQUIREMENT***

| Vehicle Category | Implementation Date: New homologations | Implementation Date: New registrations | Exhaust Emission Levels (Grammes/ECE 15Test): CO | HC+NOx | NOx |
|---|---|---|---|---|---|
| Under 1.4 litres | | | | | |
| Stage 1. Old | October 1990 | October 1991 | 45 | 15 | 6 |
| Stage 2. Old | October 1992 | October 1993 | 30 | 8 | - |
| Stage 3. New | January 1993† | January 1993 | 20 | 5 | - |
| 1.4-2 litres | October 1991 | October 1993 | 30 | 8 | - |
| Stage 2. New† | January 1993 | January 1993 | 20 | 5 | - |
| Over 2 litres | October 1988 | October 1989 | 25 | 6.5 | 3.5 |

*As at April 12, 1989; †Industry assumption. Source: Automotive Industry Data

had less to do with arcane Brussels manoeuverings than events taking place far away.

While the commissioners met that day, attempts were still going on to mop up the vast oil spill from the Exxon Valdez in the hitherto pristine waters off Alaska. This was against the background of holes in the ozone layer, blazing Amazon forests and the carbon dioxide-fuelled greenhouse effect.

The commissioners thus felt able to call for a much greener solution to the car emissions problem.

They proposed that the permissive aspect of the existing directive be made mandatory for all new cars by January 1991, with tougher standards than anything previously envisaged to be made mandatory two years later.

Many observers thought the proposals would run into stiff opposition from France and other small car-making nations.

**Ten years after the "cat's" adoption in the US, Europe was going down the same road**

Instead, a week later the European Parliament had backed the Commission. Encouraged by the vote, the Commission in May proposed further tightening of the legislation *to include under 1.4 litre* cars in proposed US-style emissions standards requiring "cats."

The final, and possibly biggest hurdle, was a meeting of the council of Environmental Ministers in mid-June.

Even then, the sparks refused to fly. The US-style standards for small cars were accepted for introduction by the end of 1992, and while the rules for medium and large cars were still not quite so strict, it was accepted as a matter of course that, over the next few months, full US-style standards would be adopted as mandatory by the start of 1993.

Thus, ten years after the adoption of the "cat" in the US and Japan, Europe was going down the same road.

*The decision meant cuts of* up to 70 per cent in emitted carbon monoxide, hydrocarbons and oxides of nitrogen; but an increase in the level of carbon dioxide – the culprit in the greenhouse effect.

This was because a full, three-way catalyst system gets ride of poisonous carbon monoxide by further oxidising it into "harmless" dioxide. Its other two conversion processes involve separating the nitrogen oxides, which cause acid rain, into genuinely harmless oxygen and nitrogen, and completing the burning of hydrocarbons which can otherwise pass into atmosphere in the form of unburnt fuel to become, by a photochemical process, urban smog.

For vehicle and component makers, it meant the investment of possibly billions of pounds in new engine management, catalyst and other equipment and the means to produce it. It meant further

**For vehicle makers it could mean the investment of billions of pounds**

development burdens, in line with the Ministers' commitment to find new ways of reducing carbon dioxide emissions – to which lean-burn engines still provided a potential answer.

For vehicle users, it could mean, according to the UK's Society of Motor Manufacturers and Traders, an additional cost of up to £800 per car.

Some vehicle makers regarded this as extremely pessimistic. Companies such as Peugeot and Volkswagen suggested that a price spread of between £300 to £500 was more likely for a three-way system.

In most countries it seemed unlikely that users would be required to pay the full amount – at least until "cats" have become an accepted part of motoring life. The June agreement included a provision for national tax incentives which allowed member states to subsidise up to 85 per cent of the cost of fitting the "cats."

Companies, such as Volkswagen, agreed that losses of power and fuel economy existed but insisted that scare stories about large losses have been much exaggerated.

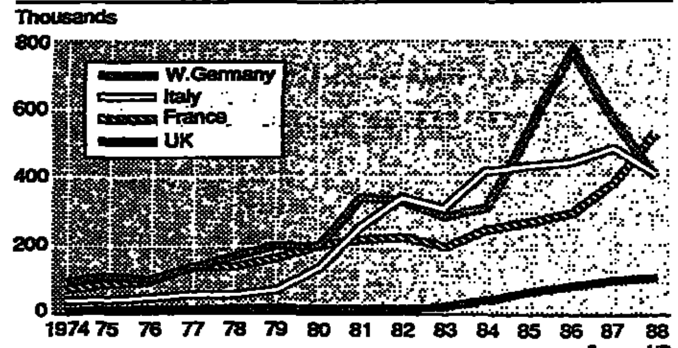
VW's existing 1.8 litre fuel injected, 8 valve engine produces 112 bhp. This drops to 102bhp in a "cat" form capable of meeting US-style standards, but VW is compensating by increasing the engine's cubic capacity. Fuel consumption is typically increased by no more than between 2 and 3 per cent.

Meanwhile, the move to "cats" was made easier by the soaring use and availability of unleaded fuel.

According to the UK's Automobile Association 22 per cent of the country's motorists use unleaded petrol, compared with 13 per cent only two months previously.

Diesels

# Unpopular twist in the green tale




THE LAST thing British business executives think about as they drive their company cars is how many miles they are doing to the gallon. At the end of the month petrol bills go to accounts departments for settlement.

It is very different on mainland Europe, where company cars are as rare as they are commonplace here.

French, Italian and German managers, as they drive on company business in their own cars, want to maximise the benefit they get from mileage allowances. The number of litres of petrol per 100 kilometre is of more than academic interest to them.

Hence the popularity of diesel engined cars on mainland Europe and their relative lack of appeal to business users in this country. The diesel offers anything up to 30 per cent better fuel consumption – but if you are not paying for the stuff who cares?

Political considerations are affecting diesel car sales in Germany, once the biggest single European market for them. Sales dropped from 780,000 units in 1986 to 382,500 last year, reflecting a steep rise in sales of petrol engined cars fitted *with catalytic converters* that clean up exhaust gases.

Diesel car sales are likely to decline further following a government decision to withdraw

**Political considerations are affecting diesel sales in West Germany, once the biggest single European market for them.**

a "green" tax concession from diesels. A 2 litre diesel car once cost £83 to register in West Germany, now it costs £133, though the lower rate still applies to catalyser cars running on unleaded petrol.

Mr Edzard Reuter, Daimler-Benz president, complained angrily of "the irresponsibility *of politicians*" *acting upon* a scare campaign against diesels, based on unproven allegations linking their exhaust emissions, mainly the particulate element, with cancer.

Dr Wolfgang Peter, director of Mercedes-Benz passenger car development, said the debate on diesel cars has been based on "emotive rather than factual argument."

Earlier this year his company, which has seen diesel cars fall from about one-half to one-third of its total production, unveiled improved engines with 40 per cent lower particulate emissions. Their hydrocarbon and carbon monoxide emissions, which are considerably lower in diesels than in petrol engines, have been still further reduced.

The new Mercedes-Benz car diesels already comply with *European Community* regulations which will *not take effect* until the mid-1990s.

Environmental arguments have left diesel car sales unaffected in most other European countries and, long term, they stand to benefit from two factors.

First, the eventual equalisa*tion of national tax rates* on oils, which will bolster the economic argument in favour of diesel cars. Second, a growing awareness that increasing carbon dioxide levels in the atmosphere is a potentially greater threat to the future of the world than the toxic components in exhaust gases.

Carbon dioxide entering the atmosphere is the leading cause of the greenhouse effect which scientists fear will raise world temperatures. With the resultant melting of some of the ice caps, this would lead to the inundation of vast land areas.

The more fossil fuel burned, the greater the amount of carbon dioxide created. This applies whether it is burned in power stations or motor cars. Reducing the total fuel burnt in cars will reduce their carbon dioxide emissions, the most obvious way of cutting a car's thirst for oil is to fit an engine of inherently lower fuel consumption – in other words a diesel.

Some engineers at the sharp end of the business of making the car more environmentally acceptable feel that not enough emphasis has been put on reducing overall carbon dioxide emission.

The engineers argue that much of the lay comment on the matter, some of it politically-motivated, is wrong, misleading and one-sided. They point to the fundamental problem of environmental objectives being highly conflicting.

A prominent British research engineer, recently retired, forecast that countering the greenhouse effect "will force us back into another fuel economy era like the seventies."

*Lead and emission problems* would, he said, seem relatively insignificant and it was unfortunate that they had attracted "a mythology of their own."

Mercedes-Benz and other diesel car manufacturers plan further fuel consumption reductions and hope to improve emissions *still* more. Mercedes-Benz development staff spoke of "a continuous and remarkable progress" that would result in meeting stringent exhaust emission standards without any after-treatment of the gases.

"By using this technique [of improving combustion efficiency] the current problem of transferring the diesel-related US emission standards to an equivalent European standard will disappear," they said.

Direct-injection car diesels (confined to Fiat and Rover Group) further reduce fuel consumption compared with conventional indirect-injection. But they are noisier and it may be difficult for them to meet more stringent exhaust emission standards.

**Diesel sales are likely to decline further following a decision to withdraw a "green" tax concession from diesels.**

Whether the direct or indirect injection engine will dominate the diesel car market of the future depends to a great extent on political opinion. To put it another way, whether curbing carbon dioxide generation is seen by governments as more important than reducing particulate emissions.

All the significant players in the diesel car market are developing direct injection engines. Their noise problem is at least partly solved by encapsulating the complete engine in sound deadening material, a technique pioneered by Mercedes-Benz on its indirect injection power units and used by Fiat.

Electronically controlled injection equipment will make the diesels of the future still more frugal on fuel. Multiple valves will raise their specific output and hence their appeal to drivers *conditioned to petrol* engined cars.

Citroën has announced a diesel engine for its new XM executive car with three valves per cylinder and Mercedes-Benz is known to have a four valves per cylinder car diesel under advanced development.

**Stuart Marshall**

There is a wide range of gadgets to help motorists make business decisions on the run, **Della Bradshaw** investigates

# The office on the move is slowly gaining momentum

THE IN-CAR telephone is no longer a novelty for many business people – in the UK there are about 500,000 carphones in use, and that number is growing rapidly.

Many executives have converted to the practical benefits of making telephone calls from the car, and a great deal of them are looking at other ways of getting and sending information. Over the past two years a host of high-technology gadgets have appeared on the market to help motorists make business decisions on the move.

The most widely publicised has been the so-called "office on the move," an extension of the cellular car telephone, combining the phone with a portable computer or facsimile (fax) machine.

Other emergent services include systems which can give drivers directions and can give warnings of traffic jams.

The only people to exploit the so-called mobile office have been the entrepreneurial one-man business, salesmen or people who need to get written information transmitted quickly – such as journalists.

For the businessman who spends one or two hours a day in the car the problems of setting up a fax or data link have largely proven too costly or difficult.

The technicalities of installing fax machines in cars have contributed to their relatively slow take-up. Most manufacturers have not geared up to produce models that are lightweight and can run for a protracted period on batteries because so few fax machines are used in this way. As most fax machines need to run off 240 volts of power, they need a power inverter in order to work from the car battery.

In addition, because fax machines are still designed to be used in buildings, they are fitted with a plug to be inserted in a standard telephone socket.

The Nokia Mobira Talkman cellular telephone has an optional British Telecom socket, which means a facsimile machine can be plugged directly into the telephone. But it is one of a rare breed, and most users have to resort to an acoustic coupler, between the telephone and the fax machine, to solve the problem.

**R·D·S RADIO DATA SYSTEM**

**A pilot of the radio data system (RDS) will involve at least four radio stations**

More companies are beginning to use the UK's cellular radio telephone network for the transmission of data, but in general it is the company's salesforce which is accruing the benefits.

Computer companies, such as IBM in the UK, have been the first to recognise the benefits of putting their salesforce in cars which can communicate with head office, and, in particular, send order details back to headquarters as soon as a deal is struck.

The cost of setting up a mobile data centre – a portable computer, car telephone and modem (needed to convert the digital signals from the computer into an analogue signal which the telephone can handle) – is about £4,000-£5,000.

Much less expensive to install is a system which will give drivers a way of getting data on road conditions. A pilot of this radio data system (RDS) will be launched in July involving at least four local radio stations, in greater London, Essex, Bedfordshire and Kent.

RDS uses a sophisticated version of the ordinary car radio, sending a digital signal alongside the normal audio signal in the FM frequencies. The BBC pilot service will give travel information so that drivers in the four catchment areas will be able to get automatic updates on the local roadworks or traffic jams simply by pressing a button.

The traffic bulletin will be specially coded on the data channel, and interrupt the broadcast programme to deliver newsflashes on traffic conditions. Once the flash is over the broadcast programme will be resumed.

Eventually a variety of information will be broadcast on the data channel, and each programme will be coded according to its subject matter – music, sport, comedy and so on – so the listener can pick the type of programmes he or she wants to listen to. In the future printers will be incorporated so that information such as weather maps can be printed out.

Radio sets incorporating RDS services are sold by dozens of manufacturers such as Volvo, Sharp, Pioneer and Grundig, for a retail price of about £350.

By 1992 a more sophisticated way of getting travel information, called autoguide, should be available in the UK.

It will operate through an infrastructure of radio beacons, strategically placed every two or three minutes of driving time in cities (and every five to eight minutes in rural areas). The beacons will be connected to a central traffic database. As the vehicle passes the beacon, the equipment in the car tells the beacon where the driver wants to go. The in-car equipment then collects information about the fastest route.

The infrastructure equipment can calculate, from the speed it has taken each driver to get from one beacon to the next, whether there are any traffic jams – and can re-route drivers accordingly.

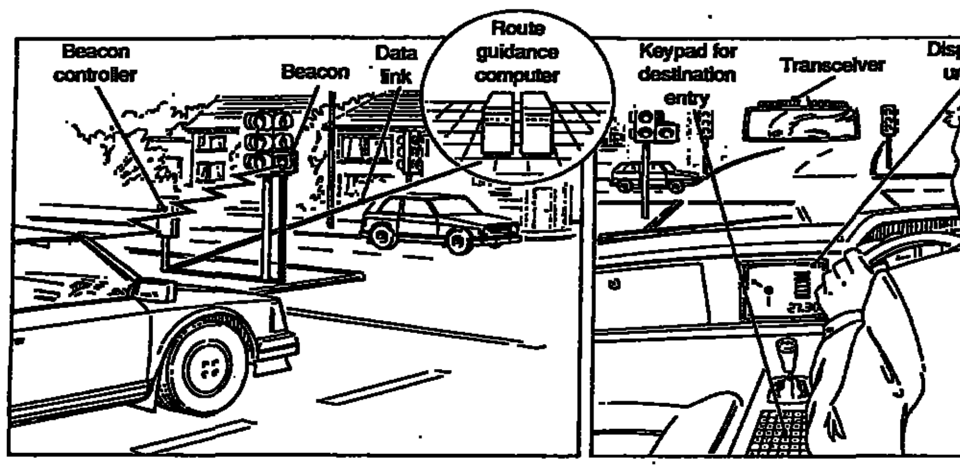
Two consortia of companies – one consisting of Plessey, Siemens, Barclays Bank, the Automobile Association (AA) and Wootton Jeffreys and the other GEC, the Royal Automobile Club (RAC), Logica and WS Atkins – are bidding to put a trial service in the London area, licensed by the Department of Transport. That pilot scheme will cost up to £10m. A trial autoguide system, designed by Siemens, is already in use in Berlin.

Elsewhere in the world a number of less sophisticated systems are in use, from companies such as Bosch of West Germany, Philips of the Netherlands and Etak of the US.

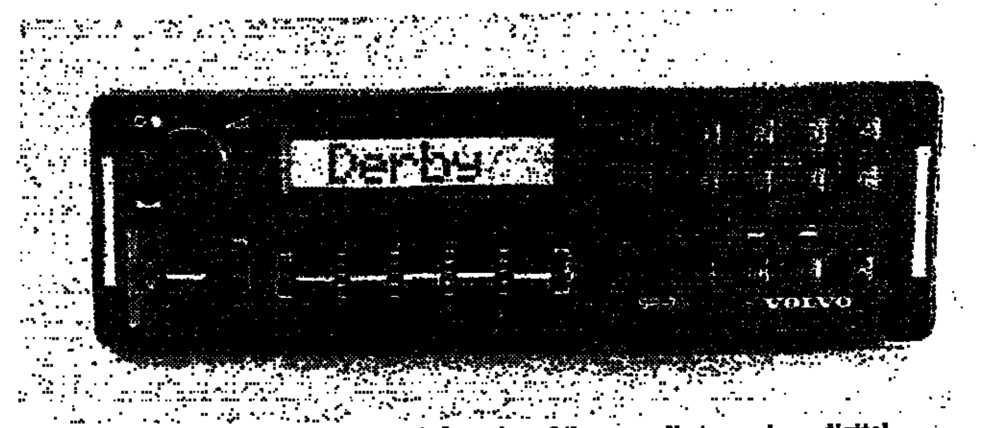
They store information about traffic routes on a magnetic cassette or cartridge or a compact disc. They cannot be instantly updated to take unforeseen traffic conditions into consideration but they are considerably less expensive than the autoguide systems.

That, says Mr David Tarrant, marketing executive for advanced traffic systems at Plessey Controls, is their main drawback.

"The motorist does not really want to find out where he is – he usually knows that. What he wants to know is the best way – on that day – of getting there. And that's what he's prepared to pay for."




The Autoguide system uses beacons to convey data to the driver about road conditions.




The radio data system uses a sophisticated version of the car radio to receive a digital signal alongside the audio signal in the FM frequencies. The BBC pilot service will give automatic updates on the local roadworks or traffic jams simply by pressing a button.

Women are seen as important consumers, reports **Lisa Wood**

# When the patronising sales patter finally dried up

LOMBARD North Central, one of the country's largest finance houses, has spent the past 18 months developing their marketing programme for women motorists.

Women have been identified as an important and growing segment of the marketplace as the battle for new car sales intensifies.

For years women have felt that car salesmen have treated them as inferior to the male of the species. Patronised in sales patter and fobbed off with a colour chart and descriptions of how easy the car is to park.

But car sales people are changing their perceptions as market research reveals that women don't just want little run-abouts to deliver the children to school or attend the local Womens' Institute.

Women, as the car trade is beginning to realise, are important consumers in their own right. According to research published by Lombard:

- In 1985-86, 59 per cent of women travelled to work by car, compared to 39 per cent in 1972-1973
- In 1988, 28 per cent of the UK's motorists were women
- Forty-nine per cent of women drove a car
- Women in this country spent over £1bn annually on cars out of their total disposable income of £30bn
- More than 2.7m people (some 27 per cent) in the UK owned a car with one in four of all private cars in this country bought and owned by a woman
- Twenty-nine per cent of women assumed personal responsibility for taking out life insurance, 28 per cent for home insurance and 21 per cent for car insurance
- There had been a significant rise in the number of women in professional and managerial jobs. The number of women entering accountancy, for example, has more than doubled since 1980 and nearly half of all newly qualified doctors and solicitors were women
- One in four of the self employed were women

**Market research reveals that women don't just want little run-abouts to deliver the children to school or attend the local Womens' Institute.**

Women would become even more significant as potential purchasers of cars, Lombard argued. For example, there are now 2.5m women learner drivers compared to 1.7m men.

Women would become more important in the workforce with the Henley Centre for Forecasting estimate that by 2000 there would be more women in the labour force than men. This is of significance to consumer industries generally.

Do women want anything different in a car from men?

Ms Vanessa Cummings, corporate identity manager of Lex Retail Group, part of Lex Services, the distribution and car contract group, said: "Not surprisingly, we have discovered that women customers don't want to be treated any differently than men. They want to be treated with courtesy and respect by staff who are knowledgeable about their product.

"Women don't want to be patronised by sales people or advertising. Nor do they want to be told that they don't need to know any technical details about the second most expensive purchase they are likely to make."

Women motorists, said Ms Cummings were becoming just as conscious as men of style

It was a theme taken up by Ms Gill Hopkins, of Lombard North Central: "The executive woman, for example, wants a car that is comfortable and reliable and she is becoming as status conscious as her male colleague."

Companies such as Lombard North Central – with many garages offering credit facilities for the purchase of vehicles both through Lombard and Austin Rover Finance, its subsidiary company – said that the main part of their educational programme was to make women feel more confident when they visit a dealership.

"We are also trying to encourage women to find out more about their cars – like checking where the jack is and being able to change a wheel by themselves," said Ms Hopkins.

**Preferred manufacturers (UK)***

| | Larger companies 1989 | All companies 1989 | 1988 | Change |
|---|---|---|---|---|
| **Chairman** | | | | |
| Jaguar | 40% | 45% | 44% | +1% |
| Mercedes-Benz | 6% | 8% | 6% | +2% |
| Rolls-Royce | 11% | 7% | 11% | -4% |
| **Chief Executive** | | | | |
| Jaguar | 23% | 40% | 42% | -2% |
| Mercedes-Benz | 15% | 12% | 11% | +1% |
| BMW | 9% | 10% | 10% | |
| Rover | 6% | 9% | 7% | +2% |
| Ford | 4% | 9% | 10% | -1% |
| **Other Directors** | | | | |
| Ford | 13% | 27% | 28% | -1% |
| Jaguar | 26% | 22% | 20% | +2% |
| Rover | 17% | 15% | 13% | +2% |
| Mercedes-Benz | 10% | 7% | 6% | +1% |
| BMW | 8% | 7% | 10% | -3% |
| **Senior Manager** | | | | |
| Ford | 34% | 45% | 45% | |
| Vauxhall | 16% | 17% | 15% | +2% |
| Austin-Rover | 19% | 14% | 16% | -2% |

** Comparative popularity of principal manufacturers. The figures reflect the number of mentions a manufacturer receives in a company's policy guidelines and not necessarily its actual purchase.* Source: Monks Guide

**Kenneth Gooding** on the car as a recruitment tool

# Attracting the talent with improved choice

THE WAYS in which companies allocate executive cars not only give an indication of the general health of UK corporations but also provide an idea about the difficulties — or otherwise — that companies are having in recruiting and holding senior people.

The latest clutch of surveys about the company car market suggest that good executives are in shorter supply than, say, three years ago.

One indicator is the choice of vehicles that companies give executives. At the senior level the car is very rarely a tool of the trade or a necessity. It is simply a perk. In those circumstances it would be counter-productive for a company to impose a take-it-or-leave-it approach to the executive car.

According to Monks Guide to Company Car Policy, during the past year the range of choice improved for executives throughout the corporations it sampled. This represented a large change from the 1988 study when freedom of choice seemed to be tightening.

Monks found that this year 73 per cent of directors could chose any car compared with 66 per cent in the 1988 survey. For senior managers, the change was from 51 per cent in 1988 to 56 per cent this year.

The study suggested that one important reason for the change was the growing use of contract hire which could allow complete freedom of choice within a known cost limit.

"For a smaller company without fleet management skills, this approach will be appealing," said Mr Norman Donkin and Mr Tony Vernon-Harcourt, the authors.

Even clearer evidence that the car is a valuable recruitment and effective motivational tool was provided by the Executive's Car Survey conducted by Hertz Leasing and HR&H Marketing Research. The survey showed that 26 per cent of executives agreed that "gaining a company car would be even more important than a salary increase when changing jobs."

Even more significantly, 11 per cent of respondents put especially high value on the provision of a company car by agreeing with the statement that "a better car, even without a salary increase, is a strong incentive to change jobs." The study suggested: "Given the extreme nature of this statement, this should be regarded as a surprisingly high figure."

The concept that a better car "is a strong incentive to work for promotion" was greeted with general agreement among the executives surveyed. But decision-makers at director level had a greater belief in its effectiveness than their junior's attitudes warrant.

The directors, with 62 per cent agreeing with the statement, had a greater faith in its promotional appeal, whereas only 53 per cent of middle managers and salesmen agreed with the statement.

The Hertz Leasing study showed there is overwhelming support from all levels within corporations for implementing a clearly defined company car structure, setting choice and model parameters. Some 90 per cent agreed that a structure was important, with 87 per cent agreeing that "the choice of car should improve as you become more senior."

Much of this would suggest that a user-chooser system is the best one for a company to implement — one where the individual has complete freedom of choice within certain cash limits.

However, respondents to the Herts Leasing study created some confusion on this issue. For example, as many of 49 per cent agreed that "a wide choice of cars leads to abuse of the system and to resentment."

Then 62 per cent of all respondents disagreed with the statement that "a company should allow a company car user to improve or upgrade his car choice with his own money as much as he wishes."

Predictably, an overwhelming number of directors disagreed with this (75 per cent of those questioned) but both salesmen (51 per cent) and middle managers (62 per cent) held a similar view, which seems to suggest that the user-chooser policy might be costly in terms of morale.

Herts Leasing said: "Even the service company sector, where the user-chooser ethic is most rife, was at best ambivalent about it, with 50 per cent disagreeing with the statement."

This message seemed not to have registered with many corporations because the Monks guide showed a big increase in the number of companies permitting employees to spend their own money to upgrade their company cars. In 1988 only 20 per cent of the companies responding permitted employee contributions whereas this year the figure was 26 per cent.

On the question of free choice, Monks research showed that this year 28 per cent of the chairmen of the companies studied were given a free choice of car. Some 12 per cent were given Daimler Sovereign 3.6 litre models and — by far the most popular company choice — 33 per cent were given other Jaguar models. Some 7 per cent travel in Rolls-Royce or Bentley cars.

The median cash limit (which relates solely to the minority of companies specifying a cash limit rather than a named model) on chairmen's cars was £24,500, according to Monks. Although that went up to £30,000 for the larger companies (those with an annual turnover above £200m).

As for chief executives, only 13 per cent were given a free choice, 19 per cent were given Jaguar XJ6 3.6 litre models, 22 per cent were allocated other Jaguar models and 12 per cent have Mercedes-Benz cars. The median cash limit was £25,000, going up to £30,000 for larger companies.

The Ford Granada range accounted for 27 per cent of cars made available for other directors, 22 per cent got Jaguar or Daimler models, 15 per cent had Rover models and 7 per cent had Mercedes-Benz. The median cash limit was £20,000 (£22,500 for larger companies).

Ford Granada 2 litre models were the most popular cars for senior managers and were allocated to 20 per cent, according to Monks, followed by other Granada models (16 per cent) and Rover models (13 per cent). The median cash limit was £16,000 or £17,500 for larger companies.

Monks pointed out that this list showed Jaguar provided most of the directors' cars in large companies in the UK but Ford provided the benchmark director car in companies with turnovers under £200m.

***One indicator is the choice of vehicles that companies give executives. At the senior level the car is very rarely a tool of the trade or a necessity. It is simply a perk and it would be counter-productive for a company to impose a take-it-or-leave-it approach.***

The standard of service has never been better, says **Daniel Ward**

# The drive for customer loyalty

**Jaguar has transformed its dealer network. In the early 1980s the company shared outlets with Austin Rover and the Jaguar owner was often treated the same as the owner of a Mini**

MANY PRESTIGE cars are barely superior to rival models from the large manufacturers when viewed dispassionately. However, for the busy executive there may be significant benefits in the service offered by the local Volvo or BMW dealer.

The makers of up-market cars have recognised that customer loyalty does not come solely from designing a good car. Providing a high standard of service is now accepted as a more significant factor in convincing an owner to remain loyal to the marque.

For the busy executive this long overdue recognition of the need to give a really efficient service should prove an invaluable benefit after years of invariably shoddy treatment.

Service receptionists would greet requests for a service within the week as laughable. When the car was brought in early in the morning of the agreed day the owner would face a long wait before explaining any problems to a singularly unhelpful receptionist. Estimates of how long the job would take or cost were rarely backed up with a commitment to achieve them.

Now manufacturers appreciate that the service offered by dealers has to more than match the image of the car.

Mr Peter Bulbeck, managing director of Porsche GB, emphasises: "The customer will come back if he is happy with the service and we have to remember that to our customers time is a damn sight more important than money."

The advantage is with the prestige marques who have fewer and smaller dealers to bring into line and preach the need for customer care to. This also applies to the Japanese makers.

In terms of customer satisfaction, Mercedes-Benz is a little behind two Japanese marques and Saab, according to Mercedes' customer research covering both the product and the dealer. Behind Mercedes-Benz comes BMW, Jaguar, VW and Porsche. Honda consistently tops US customer satisfaction studies.

The transformation of the Jaguar dealer network illustrates the measure of improvement. At the beginning of the 1980s most Jaguar outlets were shared with Austin Rover and the treatment of Jaguar owners was often no different than for drivers of Minis. Today, only a handful of outlets remain shared, the rest have staff and facilities dedicated to Jaguar.

The days when it would be at least two weeks before the dealer would be able to take a booking for a service are fading fast. Jaguar dealer Mead Bolton will take a car for normal servicing within three days. The mechanics work overtime to reduce delays.

Mr Louis Fallansteine, general manager, says: "Two weeks is absolutely unacceptable as some customers would be in danger of invalidating their warranty because they pile up the miles so quickly."

Jaguars now cover higher mileages than the older models. "With the latest car we have seen a completely new type of customer who in some cases covers up to 48,000 miles a year and because of this they do not like losing their cars for servicing," says Mr Barrie Thrussel, Jaguar's service director.

Mead's customers do not have to remember when their cars should be serviced. A polite written reminder is followed up by a phone call. When the car is booked in for the required service the owner is immediately offered a loan car free of charge.

Some customers are happy to have their cars collected from Manchester airport while others have their cars collected from the office. The owner of a new car can expect to be lent a Jaguar courtesy car should the new car have a fault needing repair under warranty.

BMW kept a pool of series 7 models in readiness when the car was launched in the UK to ensure that no customers were given lowly series 3 BMWs if a fault developed with their new £55,000-worth of car.

Porsche GB pays for 100 of its 944 models to be retained by its 37 dealers for loan to service customers. Lex Brooklands, Birmingham's Volvo dealer has 25 vehicles to loan to customers, often free of charge.

**Drivers of prestige cars can be reassured that the service offered by dealers in this country is probably better than in other countries**

The bid to keep the customer happy by providing a loan car no longer stops with the car. If the customer is used to a cellular phone in his company Jaguar then he will be lost without it.

Mr Thrussel explains: "The car has become more of a mobile office for the executive and so we would like to be able to offer a cellular phone in a loan car." Porsche owners get this service plus free phone calls.

Executives can now expect to find somewhere to carry on their work with a telephone and fax machine at hand should an emergency repair leave them waiting at the dealer.

Dealers, particularly in the provinces, have been slow to extend their opening hours to suit customers rather than themselves. The first step has been the introduction of safe security boxes where ignition keys can be left but now there is a greater willingness to provide service when the customer needs it — even when it is not economic.

Mr Jeff Crowhurst, Lex general manager, says prior warning is all that is needed for a service to be completed outside the normal eight to six hours.

Jaguar's Cardiff dealer is now successfully operating a shift system in the workshop which is open for more than 12 hours daily. Restrictions on planning permission are preventing such a scheme being extended to London dealers where the benefits would be considerable.

Dealers have done much to eliminate the crush of customers at the service desk first thing in the morning and late at night by loaning cars to customers or fetching and delivering either the owners or their cars.

The process of booking cars in for service is speeded up at Trainers of Swansea, the consistent winner of BMW's top service award, by keeping a complete service history of the vehicle on computer. The customer does not have to even remember which service is needed as the records confirm what is required.

When the work is completed no dealer who cares about customer satisfaction would hand a car back without washing and valeting it. For the final touch, Mead Bolton will never allow a customer to wander round the car park in search of his car. It is delivered clean and shining to the door.

An executive driving a prestige car can be reassured that the service offered by UK dealers is probably better than other countries. German customers, in particular, appear to receive a rather average service.

Mercedes-Benz is almost seen as a volume manufacturer in its home country and executives concede that selling a smaller number of cars in Britain means customers receive a more personal service from dealers.

Marques such as Jaguar and Porsche suffer the handicap of sharing dealers with other manufacturers. "In Germany I don't think Jaguar owners enjoy a very good service at all, the dealers are not switched on to customer care," Mr Thrussel concedes.

Porsche shares dealers with VW/Audi and Mr Hans Halbach, Porsche sales chief, admits that the company's British dealers set the standard for all other countries.

In the US, Porsches are sold alongside Audi. Mr Bulbeck says grimly: "In other countries where Porsche is combined with another franchise the level of service must suffer."

By contrast, US Jaguar dealers compare very well with their UK counterparts. "They are more switched on than we are," Mr Thrussel explains.

In New York almost half the Jaguars are driven by women and when they leave their cars for servicing and go shopping they are impossible to contact if there is a problem. Now dealers issue customers with a pager for the day.

Standards of servicing in the UK, among the prestige marques at least, have greatly improved though the mix remains one of the good and the not so good.

Strangely, customers have been slow to recognise the change. Eager dealers say their biggest problem is informing customers of all the services now available. Reputations change slowly in the motor trade.

**Jaguars now cover up to 40,000 miles a year, far more than older models, and customers do not like losing their cars for servicing** *Photos: Marcus Kapoor*

Company cars are bought in many ways but **Ken Gooding** finds the old method is still preferred

# Hire purchase becoming a thing of the past

CASH on the nail — that is the most popular method used by UK companies to acquire cars. About four companies in 10 use this method.

Executives argue that a corporation should use its own money or borrowed funds to buy the company's cars. They suggest this should be the cheapest method of financing because their corporation does not have to contribute to the costs or profit of a leasing or hire-purchase company.

There are other advantages quoted. For example, outright purchase gives complete flexibility and control over the make-up and operation of the fleet.

Is this method really cheaper? It is certainly true that, if the funds were otherwise simply placed on deposit, the loss of investment income would be much less than the cost of leasing cars or buying them on hire purchase.

However, it is much more likely that a corporation would use its funds to develop its own business. The return on this investment could well turn out to be significantly greater than merely placing *the funds on* deposit.

Some companies turn to overdrafts or bank loans to finance the outright purchase of their cars. Experts caution that an overdraft, which is usually subject to recall, is not particularly suited for financing the purchase of a vehicle which will probably be used for two or three years.

A bank loan can be matched to the life of the car but the repayment terms are unlikely to recognise the significant residual value of the vehicle when it comes to be sold at the end of its corporate ownership.

Cars are expensive, require a considerable outlay and then rapidly depreciate. To set up a relatively small fleet of 25 cars could absorb more than £200,000 of a company's cash.

Perhaps more important among the disadvantages of outright purchase is that cars *represent a substantial admin*istrative burden.

Mr Tony Vernon-Harcourt, a director of Monks Partnership and editor of the Charterhouse Study of Top Management Remuneration, lists some of them: "Staff must devote considerable time to locating, buying and selling the vehicles; to annual licensing and the complex area of insurance; to the provision of temporary replacement vehicles, possibly requiring expensive pool cars; to arrangements for maintenance and repairs; and to the payment, recording and control of all the relevant costs."

Fleet operating costs also represent a large overhead. To control them effectively, extensive experience of vehicle operation is essential.

Mr Vernon-Harcourt suggests that many companies do not know the true costs of running their fleets. The average *cost of running a typical fleet* car such as a Vauxhall Cavalier 1.6 litre GL hatchback is about £4,200 a year.

From that calculation it can be seen that on a modest fleet of 25 cars, a 10 per cent reduction in costs (achieved perhaps by such things as selecting vehicles which have lower operating costs and higher residual values) would save a company more than £10,000 a year.

While outright purchase remains the most extensively-used method of acquiring company cars, contract hire (also known as operating leasing) has made substantial ground in the past few years to become the second most popular.

Contract hire is the term used in the UK to describe the system where the group leasing the car takes the residual value and running cost risks, not the company using the vehicle.

Legal ownership of the vehicle remains with the lessor who sources, purchases and grants what is essentially a long-term rental to the lessee for the use of the vehicle. At the end of the rental term, determined by time or by mileage, the car is handed back to the lessor who is responsible for disposal.

Contract hire provides the historical advantages of leasing for the company using the car — predictable cash flow, tying up minimum liquid funds in a wasting asset and utilising the high residual value of the asset in the payment premiums.

There might be another advantage for companies making the switch from owning their own cars. Sale and leaseback arrangements can be made which enable companies to realise often substantial amounts of capital which they had previously tied up in their car fleets.

The rental charged by contract hire companies also reflects the fact that the system relieves the lessee of the entire administrative burden. It also allows for the cost of providing each car to be accurately budgeted in advance.

This is because contract hire can include any combination of the following: locating and buying a car of the user's choice; all maintenance and repair costs; vehicle license; replacement car when the hired vehicle is off the road; subscription to roadside breakdown and recovery service; insurance; fuel; and disposal of the car at the end of the hire period.

Most contract hire companies also have arrangements for the fleet user's drivers to use specially-supplied credit cards to buy fuel at a large number of specified outlets. The fleet user is then provided with management reports which show fuel consumption and other information designed to show how cost-effectively each vehicle is being run.

The disadvantage of contract hire is that the vehicle user does not know how the monthly rental is calculated. Details of the discount on the vehicle, the running costs and proceeds of sale, the interest rate, the overheads and the profit on the transaction are known only to the contract hire company.

"If the user has a trouble-free car, he may be paying a high price for a fixed, predetermined cost," says Mr Vernon-Harcourt.

About one company in 10 still uses a finance lease for car purchase in spite of the growth in contract hire. This method does not remove the administrative burden which company cars create.

However, the rentals for finance leases for cars are usually set at a lower level to reflect the ultimate residual value of the car.

At the end of the lease period a "balloon rental" equivalent to the anticipated resale price of the car is paid by the lessee. The ballon rental after three years would typically be 25 per cent to 30 per cent of the original discounted cost of the car, according to Monks Guide to Company Car Policy.

Very few companies still use hire purchase, sometimes known as lease purchase, to buy their cars.

Hire purchase is similar to a finance lease in that it gives the user possession of the car in return for the payment of instalments over a period while the car remains the property of the hire purchase company.

The main difference is that the hire purchase contract provides for the hirer to exercise an option to buy the car at the end of the period for the payment of a nominal sum.

**Daniel Ward** found an executive in Soho who opted for the classic alternative to the modern car

# Mature mark of beauty and distinction

MR MARK LANDINI could be driving a BMW 320i company car as its price nudges the £15,000 ceiling set by his company. Instead he spent the money on a 1969 Mercedes-Benz 280 SL sports car. It is his first company car.

In the eyes of Mr Landini, who is director of retail design at the for consultants Fitch-RS, the distinctive Mercedes is beautiful. He cares about how his car looks even though he does not profess to be a car enthusiast: "I don't like modern cars, I don't like the way they drive or look."

When he told his company two years ago that he wanted an interesting classic model as

**The 280 SL is rising in value by up to £4,000 annually instead of depreciating rapidly**

a company car every effort was made to arrange a lease contract for it.

Mr Landini went to a dealer and chose the car himself. It has never broken down and he claims it is no more expensive to run than a BMW 3 series. He has found a specialist garage to service his car, at the leasing company's expense, as Mercedes-Benz dealers proved more expensive.

The Mercedes is used regularly even though it is much coveted.

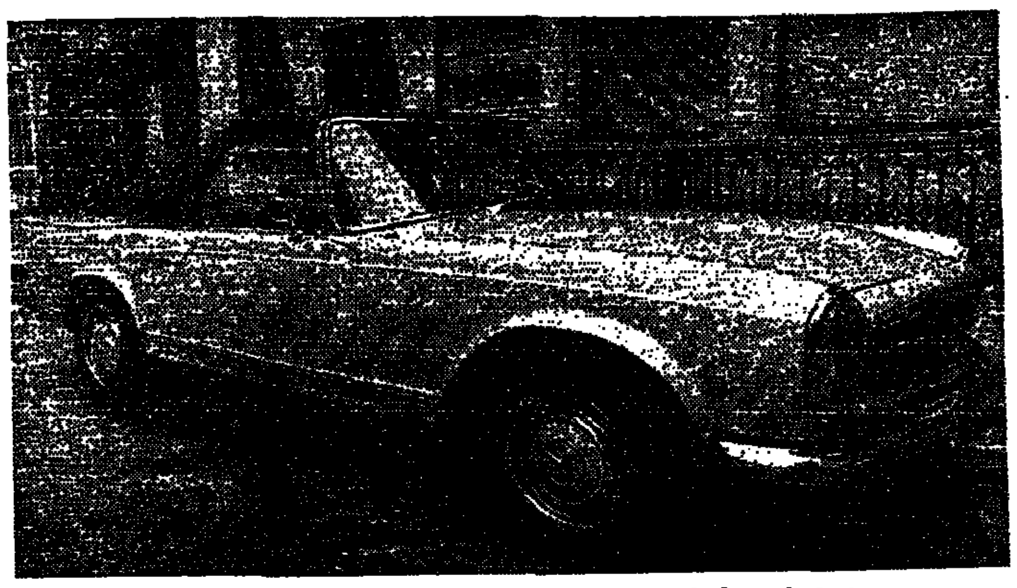
"I don't consider it to be something to polish and take *out only on sunny days*", he says. But it is not called upon to pace the length of the country on business trips and rarely makes the journey to the Fitch office in Soho. Mr Landini has decided to buy a small second car to save his pride and joy from the worst of London's traffic jams.

He doesn't regard this as a serious disadvantage because as he cheerfully points out: "At the end of the three-year lease I have the chance to buy the car."

The 280 SL is rising in value by up to £4,000 annually instead of depreciating rapidly like most company cars. Mr Landini would still have a bargain if he had to pay the original £15,000 purchase price to the leasing company but it is likely to be substantially less.

Very few executives have realised the benefits of swopping a Ford Granada for a classic car. Coys of Kensington, classic and vintage car dealer, has "never sold a car that has been put on a company's books," according to Mr Douglas Jamieson, the managing director.

Hexagon of Highgate has an impressive selection of valuable old cars but Mr Paul Michaels, executive, says the idea of buying a classic car as an



Mark Landini: found the lines of the 1969 Mercedes-Benz 280 SL rather more interesting than today's equivalents

investment while using it for business "makes a nice theory · but they aren't practical."

An old Aston Martin DB6 is perhaps at its worse when being edged slowly through city traffic yet Mr David Eales, service manager at the Aston Martin factory, says such Astons are now being run as company cars though the executives are likely to have another company car for everyday use.

A basic 5,000 mile service would cost £600 but beware the cost of a total restoration if a DB6 is purchased unskillfully. The bill could be as high as £80,000.

The mileage of an older model must be kept down if its value is not to be drastically reduced. One exception is the ever durable Porsche 911 where the depreciation can be as little as £1,500 over two years on a car that is seven years old and covers 10,000 to 15,000 miles a year.

Masterdrive, a leasing company, has three old Astons on its books and more than half a dozen other classic cars including a 10-year-old Rolls-Royce Silver Shadow and a highly sought after Ferrari 328 GTS which cost over £100,000 – more than double the original list price. Clients come mainly from advertising and head hunting companies and the financial sector.

Mr Stephen Barrett, Masterdrive managing director, explains that most of the vehicles are on contract hire with an arrangement to sell the car to the driver at the end of the contract for an agreed price.

Companies are using classic car leasing as a "golden handcuff" for valuable executives by adopting the high depreciation of a conventional executive car to establish the final value.

In the case of one Aston owner, his company wrote the final value of the car down as zero. A valuable perk when you consider that the car, purchased for £29,000, will have appreciated by at least 30 per cent over the three years of the contract.

Maintenance costs can be difficult to calculate but Mr Barrett says drivers have to accept a relatively low mileage limit and an agreed maximum for servicing bills. If they fall below this ceiling the driver is allowed to use the saved money to restore the vehicle.

In one case the leasing company paid for a leather interior to be re-trimmed. For old cars the line between maintenance and restoration is a thin one.

How much can be saved by using a classic car instead of a more conventional company car is highlighted by Mr Barrett's figures.

Comparing the 25 year-old Aston Martin DB6 (£29,000) on a three-year lease with a new Jaguar Sovereign 2.9 (£27,500) and both covering 25,000 miles, the contract hire cost would be an identical £751 per month. The inclusive maintenance costs for the Aston are estimated at £3,000, double that for the Jaguar.

The difference is that at the end of the three years the Jaguar would be worth £14,000 yet the driver of the Aston could purchase his cherished car for £16,000. Conservative appreciation of 10 per cent per annum over three years would pro-

**Few executives have realised the value of swopping a Granada for a classic car**

duce a "profit" for the driver of £21,700 should he immediately sell the car at the market price.

To this can be added the concession the Chancellor gives to drivers of older cars.

If the vehicle is more than four years old, company car tax liability is based on the original purchase price. Mr Barrett estimates the difference in tax payable would be £760 a year in favour of the DB6 driver.

And what car is Mark Landini considering as his next company car? He says he would like an old Aston Martin.

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**John Griffiths** finds the specialists feeling the effects of the encroachment of the Japanese

# Beating a retreat to more exclusive ground

THE COLLAPSE late last year of a high prestige West German sports car project, led by Mr Walther Treser, former senior Audi engineer, and supported by the West Berlin government, provides a sharp reminder of how difficult it has become for small, specialist car makers to compete against the industry leaders.

For many such concerns the problem has become one of sheer survival. Against this background the Treser project to produce hi-tech sports cars based on Volkswagen running gear looked particularly ambitious.

The number of truly independent concerns has shrunk considerably. Soaring development and other costs and the probings of, particularly, Japanese car makers into niches once regarded by the specialists as their own, have driven

**For many of the specialist manufacturers the problem has become one of sheer survival**

them under the umbrella of larger groups.

Lotus of the UK is owned by General Motors.

Ford has 75 per cent control of Aston Martin Lagonda and owns the AC sports car company once famous for the Cobra – the testing of the Cobra at speeds of up to 150 mph on the M1 in the early 1960s prompted the clamour for a motorway speed limit.

Rolls-Royce is part of the Vickers industrial group.

In Italy, Ferrari has become Fiat's automotive flagship and Lamborghini is owned by Chrysler of the US, which also has a minority stake in Maserati.

Even Porsche and Jaguar, two of the most famous of the surviving independent specialists, have found themselves facing a growing array of problems, many caused by their heavy dependence on the North American market.

In terms of profitability, Porsche has appeared able to turn the corner away from its poor performance in 1987/88, when profits plunged by 50 per cent to DM25m from the previous year. In the first half of this financial year, profits rose to DM35m.

However, this was achieved partly by harsh cost-cutting in the wake of the installation last year of Mr Heinz Branitzki, formerly finance director, as chief executive. He is a stark contrast to his flamboyant predecessor, Mr Peter Schutz, who had drawn Porsche into relying on the US for 65 per cent of its sales.

The rest of the recovery was accounted for by Porsche's much-increased emphasis on its more expensive and exclusive cars, such as its four-wheel-drive version of the 911 rear-engined sports car, the 911 Carrera 4.

The darker side was that sales fell by another 27 per cent to 14,580 cars for the financial half-year ended January 31. Within this total, sales in the US were down by 45 per cent, to 6,560 units.

That compares with the more than 30,000 US buyers who in 1986, Porsche mistakenly thought, appeared willing to pay almost any price for the prestige of Porsche ownership.

They deserted in droves following sharp price increases by Porsche – 25 per cent in 1987 alone – as it compensated for the weak dollar vis-a-vis the Deutsche Mark.

Sales fell to 23,000 units in 1987 and to 15,700 last year. US industry analysts believe Porsche is still feeling the backlash from over-aggressive pricing.

The eagerly-awaited mid-engined Panther Solo, due for launch later this year at £30,000, has been proclaimed a world-beater

Mr Branitzki said at the start of this year that he hoped Porsche would sell 32,000 cars worldwide in 1989, a slight rise on the 31,400 of the previous year but still far from the 50,000-a-year sales of the mid-1980s.

Mr Branitzki cuts a quietly-spoken, conservative figure and he doubtless thought he was being conservative in March when he suggested that 15,000-16,000 cars of these sales would be in the US.

Even this estimate is starting to look very optimistic. Porsche's US sales were down by another 50.4 per cent in the first five months of this calendar year – totalling 3,600 units. At this rate of progress it will do well to top 10,000 units.

Another reason for the lower unit sales is that Porsche last year decided to scrap its 924S, the so-called "entry level" model. The car had been having an increasingly tough time competing against Japanese models like the Toyota Supra and the Nissan 200SX. Both offered similar performance, higher specifications and lower prices than the Porsche.

Porsche's retreat to higher-priced and more exclusive ground, arguing that Japanese producers would need "years" to gain the status of the "true" Porsches on which the company was concentrating, was seen as a source of potential concern to some motor industry observers.

Similar arguments have been advanced in the past by other western industries which have come under Japanese domination. The steady retreat up-market and eventual extinction of the once world-leading UK motorcycle industry is one of the best examples.

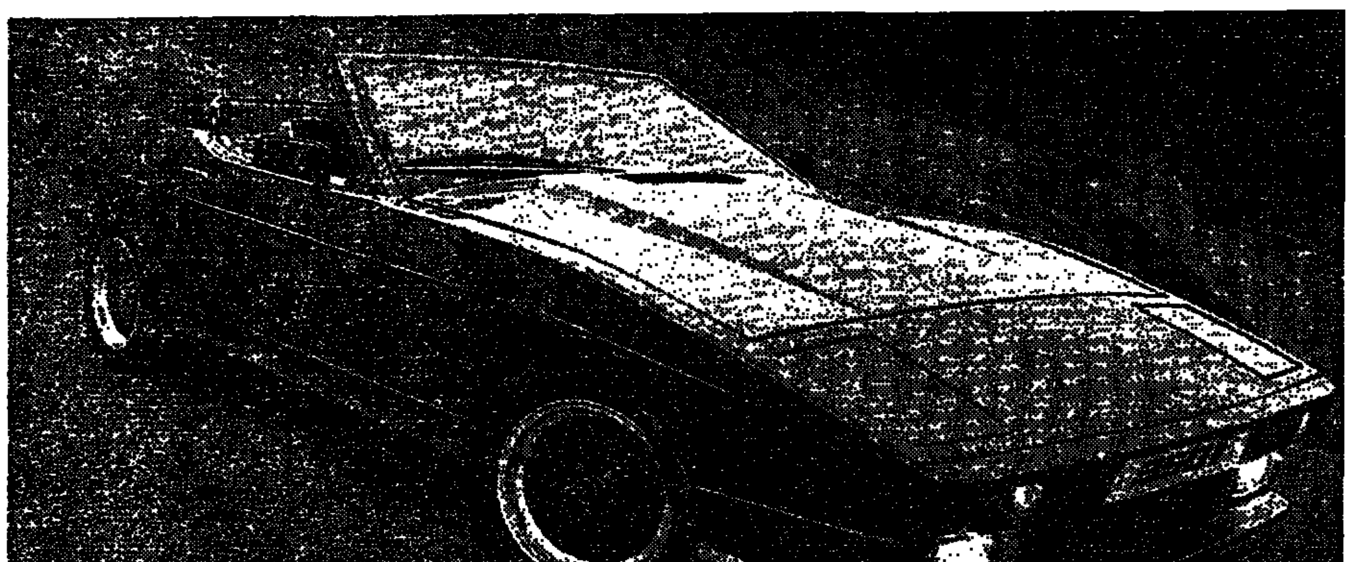
This concern has been heightened in the past few months by a growing awareness that Japan's car makers will soon be unleashing models aimed right at the heart of "true" Porsche and even Ferrari territory, as well as that of Jaguar, Mercedes-Benz, BMW and other European luxury and executive car makers.

Honda, for example, next year is launching in both the US and Europe the NS-X. This mid-engined, two-seat, 155mph sports car bears a close resemblance to a Ferrari, with an all-aluminium body and loaded with hi-tech features.

Importantly, according to Mr Tadashi Kume, Honda president, it has been designed to be docile enough for even an unskilled driver and to be entirely practical for everyday use.

That is the same kind of language Porsche uses to talk about its own products, and it appears that the NS-X is to be pitched in mid-Porsche range in terms of price. In the US at least, the Honda name has already acquired a cachet for engineering excellence approaching, if not already on a par with, the up-market European producers.

Unlike the UK motorcycle industry, however, Mr Branitzki is aware that Porsche – which has strong financial underpinnings – must invest heavily if its long-term future is to be secure. Nearly a quarter of turnover is now going into capital investment and research and development.



Jaguar, too, has suffered in the US, although not as badly as its West German rivals in unit sales. It has managed to reduce its dependence on US sales from 65.5 per cent of turnover in 1986 to 43 per cent last year. Retail sales worldwide rose by 6.1 per cent to 49,494 units, even though US sales fell for the second year in a row, by 9 per cent to 20,727.

But it is the US which has been the prime profits generator. Profits fell sharply as the dollar weakened against sterling and Jaguar hedged currency forward on decreasingly favourable terms.

From a post-privatisation, pre-tax peak of £120m in 1985, profits plunged to £47.5m last year and many City analysts think Jaguar will do well to make £35m this year, even allowing for a stringent cost-cutting exercise.

The recent strengthening of the dollar will not immediately benefit the company, for it has bought forward sterling at $1.70 for the rest of this year.

Sir John Egan, chairman, hopes for a slight upturn in the US this year but it does not look like being realised. Indeed, sales have fallen a further 6.5 per cent in the first five months and Jaguar has been obliged to follow Mercedes-Benz, Porsche and BMW into offering financial incentives to customers – a measure previously frowned on severely because of its tendency to devalue the product.

It is against this background that Jaguar has been striving hard to develop its product range, including a V12 version of its latest XJ6 saloon and the F-type, possibly the world's most keenly-awaited car, successor to the legendary E-Type sports car of the 1960s and 70s.

This, however, is not due until 1994, and the question increasingly being asked is whether Jaguar can keep its own independence after the Government's golden share in the company expires at the end of 1990.

Speculation in late May that Ford was building a stake prior to a bid were promptly denied by both companies. But the flurry of stock market activity underlined just how vulnerable Jaguar is to takeover in the post-golden share era, or even earlier should the Government decide that a suitor merits serious consideration.

Jaguar and Porsche each produce more than ten times the volume of cars built by Rolls-Royce, and nearly 100 times that of most other small specialists.

Rolls-Royce, whose Bentley marque has been revived with spectacular success, made nearly half as much profit as Jaguar last year (£23.2m) and saw modest sales growth in all markets. That still represented only 2,800 sales last year, and maybe 3,000 in 1989.

Rolls-Royce, however, is arguably in a niche of its own – although less illustrious specialists who have kept their production levels down to hundreds rather than tens of thousands, also seem able to survive.

Morgan and TVR, two UK specialists each with produc-

**Soaring development costs and Japanese probings have seen numbers shrink considerably**

tion of well under 1,000 units, have continued generating enough profits to stay in business and, in the case of TVR, undertaken modest new product development.

But the jury is still out on at least two other companies.

Reliant Group, recently the subject of a reverse takeover involving two property groups, provides a classic case of a specialist which got it all wrong.

It developed a cheap plastic-bodied sports car, the Scimitar SS1, which it proclaimed would fill a huge market gap left by mass-produced British sports cars like the MG Midget.

It planned at least 3,000 units a year. The car drove well, but its styling was almost universally rejected and Reliant simply did not have the resources to do anything about it.

Only 34 were sold in the UK in the first five months of this year. It has been given a second chance only because Universal Motors, a New York-based specialist car importer, is paying for a complete restyling in the belief that a redesigned car could find 2,000 buyers a year in North America.

The launch of the Panther Solo is also awaited with some eagerness later this year. The £30,000, mid-engined, four-wheel-drive, Ford Cosworth-powered sports car is due to be built at the rate of 300 units a year, and has been proclaimed as a potential world-beater.

Yet it is arriving several years later than intended. This followed the company's takeover and the injection of funds by Ssangyong, an industrial group in South Korea . . .


*The small specialist manufacturers have had mixed fortunes.*

**TVR has survived, thanks to the staple 350i (above), on production of a few hundred units a year.**

**Lotus continues to produce distinctive models such as the Esprit Turbo SE (left) under the tutelage of General Motors.**

**Reliant had its fingers burned by the demise of the Scimitar SS1 which failed to attract the interest of the sports car driver who was supposedly lamenting the passing of the MG Midget and Triumph Spitfire.**

**The car drove well but the company saw only 34 sales in the UK in the first five months of production as the styling was almost universally rejected. Reliant lacked the resources to do anything about it. A New York company has funded a complete restyling.**

**John Griffiths** looks at the shape of things to come

# Change of pace quickens

THE PACE of model introductions by the leading manufacturers continues to increase, driven by intensified competition and continuing fragmentation of the market as more niches are explored or even created.

With many of the lessons of two oil crises apparently forgotten, most emphasis, particularly in the executive and luxury sectors, is on performance.

Among executive sector models being launched or in the pipeline are: the Alfa Romeo ES30 coupé. Alfa, a Fiat subsidiary since January 1988, says this is a strictly limited edition car styled by Zagato of which only 1,000 will be built.

The brutal-looking, 156mph vehicle, described by some journalists as one of the most aggressively ugly cars ever built, will cost about £40,000 in the UK, where only 140 will be available from September.

More relevant to the mainstream market is an automatic version of Alfa's much-praised 164 executive saloon which has just been launched.

Alfa's rejuvenation is to be continued next year with replacements for its 33 and 75 saloons. Both are expected to be more overtly sporting than in the past – in keeping with Fiat's strategy of using the Fiat badge for the volume market, Lancia for executive/luxury saloons and Alfa Romeo for the younger sporting market.

The Aston Martin Virage, unveiled at last year's UK motor show and due for launch in late summer, replaces the V8 range built at Newport Pagnell.

The Virage will be limited to a few hundred a year, but the Ford-controlled company is investing in new plant and facilities which will allow it to add a higher volume, cheaper car pitched against top Mercedes-Benz and Porsche models in the early to mid-1990s.

BMW, which has invested heavily in model replacement programmes to produce the much-acclaimed 7 and 5 series models, is aiming this year at supercar territory with the 8 series coupé.

The car will initially use the V12 engine fitted to its 750iL, but with both more and less-powerful versions to follow. It incorporates much sophisticated electronic technology in another all-new bodyshell.

At a more mundane level, BMW is to introduce a touring, estate car version of the 5 series as well as an ultra-high performance "Motorsport" version called the M5. The revamping of BMW's main range will be complete in 1990-91 with the launch of a replacement for the 3 series, its biggest-selling range.

One of Europe's most important executive sector car launches this year is the Citroën XM, to replace the aged CX range. First supplies will arrive in the UK in October.

The car lacks most of the design oddities which once made the Peugeot group subsidiary one of the world's most idiosyncratic producers. However, the XM maintains Citroën's emphasis on ride quality with an electronically-controlled "hydractive" suspension system.

This is not the full "active" system using two-way hydraulic rams developed and patented by Lotus. First use of the latter is expected to be on the next version of the Chevrolet Corvette sports car, due in the early 1990s.

Meanwhile, the General Motors division has chosen to market the latest ZR-1 version of the Corvette as a Porsche rival in western Europe. It is expected to be made available in the UK during the next year, at a price below £40,000.

General Motors appears to have kept its pledge to Lotus which allows the UK sports car and engineering group to retain its operating independence. However, that has not precluded it from using Lotus' consultancy engineering operations to develop both a new engine for the Corvette and a high-performance version of its European Opel Omega/Vauxhall Carlton executive car.

The latter, unveiled at the Geneva motor show in the spring, will take GM's European subsidiaries into new performance territory next year by virtue of its 360bhp, twin-turbo-charged engine claimed to be capable of 170mph-plus performance at a UK price of about £35,000.

The first big result of Fiat's restructuring of its Lancia operations is the launch of the Dedra saloon. It replaces the Prisma but is positioned further up-market and with an engine range of up to 2 litres.

The Dedra is designed to sell at the premium end of the medium saloon market. It is on sale on the Continent but will not arrive in the UK until the end of this year or early next year.

At the exotic end of Fiat's operations, its Ferrari flagship company is to launch a replacement for its best-selling 328 model, designated 348, early next year. It will have similar styling to its most expensive Testaross model.

New Japanese models are coming from Japanese producers in waves. The Toyota Lexus and Nissan Infiniti executive and luxury cars, will shortly to go on sale in the US through separate dealer networks from the companies' mainstream models. Both are aimed firmly at Mercedes, BMW and Jaguar.

This year Nissan will launch its 200SX coupé and saloon range in Europe. The coupé has similar performance to Porsche's 944 but undercuts it in price. An all-new 300ZX coupé is on the way and a completely rebodied Prairie seven-seater model for the burgeoning market for "people carriers" along the lines of the Renault Espace.

Honda, meanwhile, is due to introduce a replacement for its Accord executive saloon shortly, while a lower-medium saloon, the Concerto, will also go on sale in Europe early next year.

This will follow the autumn launch of the R8, Austin Rover's replacement for the Maestro and Rover 200. The Concerto is Honda's version of the R8 developed jointly with the UK's Austin Rover and will be built for Honda to sell in Europe alongside the R8 by Austin Rover.

The R8, which will use the company's new 16 valve K-series engines, will be positioned up-market of the models it replaces, in line with the company's objective of becoming a producer.

Much of the Japanese emphasis is on the sporting sector, and a frisson of concern is likely to have been felt at Lotus as a result of the unveiling by Mazda of the Miata, an open "affordable" two-seater for which advance orders of 3,000 have been taken in the US.

Mazda plans to produce the Miata, which will sell at about $12,000 in the US, at a rate of some 50,000 units a year, and possibly more if needed.

Mazda believes it will fill the glaring gap left in the market left by the demise of British sports cars such as the MG B and Midget, and the Triumph Spitfire.

The cause of Lotus' concern is that its M100, open two-seater and successor to its Elan of the 1960s and early 70s, is not due to go on sale until the end of this year.

The new Elan – it may carry the name of its forebear – will be no larger than the Miata, have front-wheel-drive instead ofthe Miata's rear wheel drive, and be technically more sophisticated. It is also expected to be at least 30 per cent more expensive than the Mazda.

Other Japanese newcomers within the next year will include a more powerful version of Toyota's MR2 sports car and a revamped, turbocharged Mazda RX-7 coupé and convertible.

European producers, however, are remaining far from idle in the face of this Japanese activity.

Both General Motors, through Opel and Vauxhall, and Volkswagen are plunging into the expanding executive coupé market.

Volkswagen's 16 valve Corrado coupés, on sale on the Continent and UK, are being joined in this country by a supercharged G60 version in late summer.

Opel/Vauxhall's response takes the form of the Calibra coupé. The car is based on the new Cavalier saloon body platform and uses the widely-praised, 2 litre 16 valve engine used in its Kadett/Astra "hot hatchback." The Calibra, to be launched at the end of this year, is claimed to have 140mph-plus performance.

Mercedes-Benz, which has seen some fall-off in sales as parts of its model range have aged, is also taking big product action with the launch of its all-new SL convertible range. Technical features include a hidden protective bar which raises itself in a fraction of a second if sensors detect that the car is crashing and about to roll over. There is said to be year-long waiting lists in some countries, ensuring that early supplies will change hands at a premium after being sold by dealers.

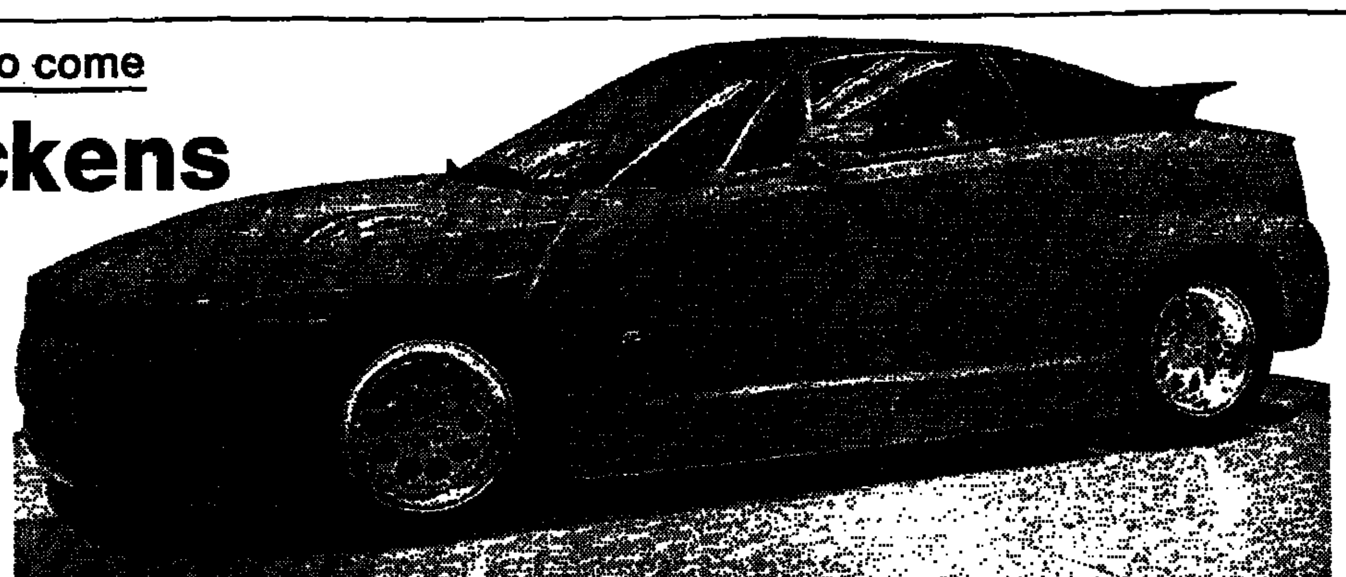
The launch late next year of the replacement for its top executive/luxury range, the S-class cars is of more commercial significance to Mercedes-Benz.

The models, incorporating new engines as well as all-new, more aerodynamic bodies, will be loaded with new technology such as electronic traction control and are expected to take Mercedes-Benz prices into cheap Rolls-Royce/Bentley levels for the first time.

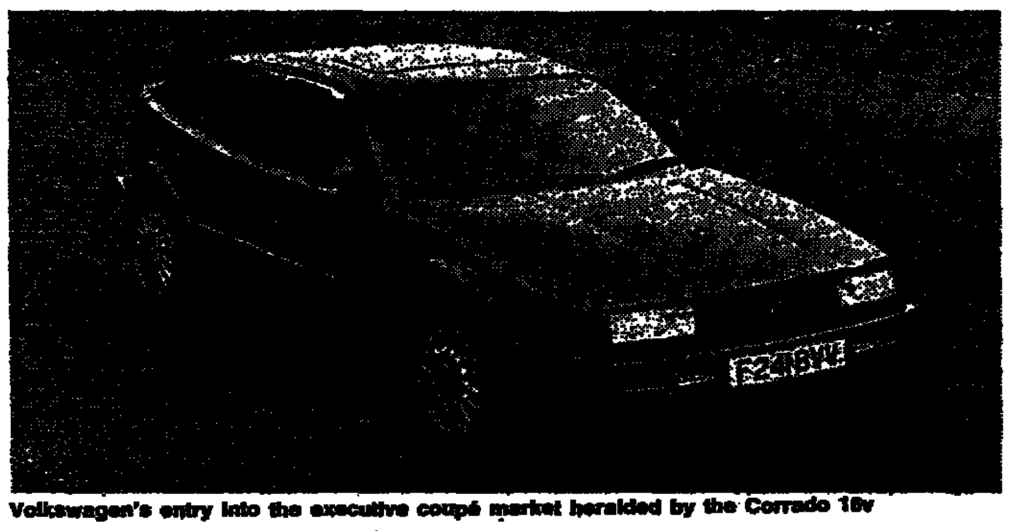
One of the most significant European launches in terms of the mainstream executive market, however, is expected to take place at the end of this year.

The Peugeot 605, the French group's first all-new executive car for well over a decade closely resembles the 405 upper-medium saloon which has turned Peugeot into one of Europe's most successful vehicle producers.

The 605 gives Peugeot the power to mount a twin-pronged assault on the high profit margin executive sector – the first having already been provided by the Citroën XM.



The Alfa Romeo ES30, described as brutal and aggressively ugly, available from September



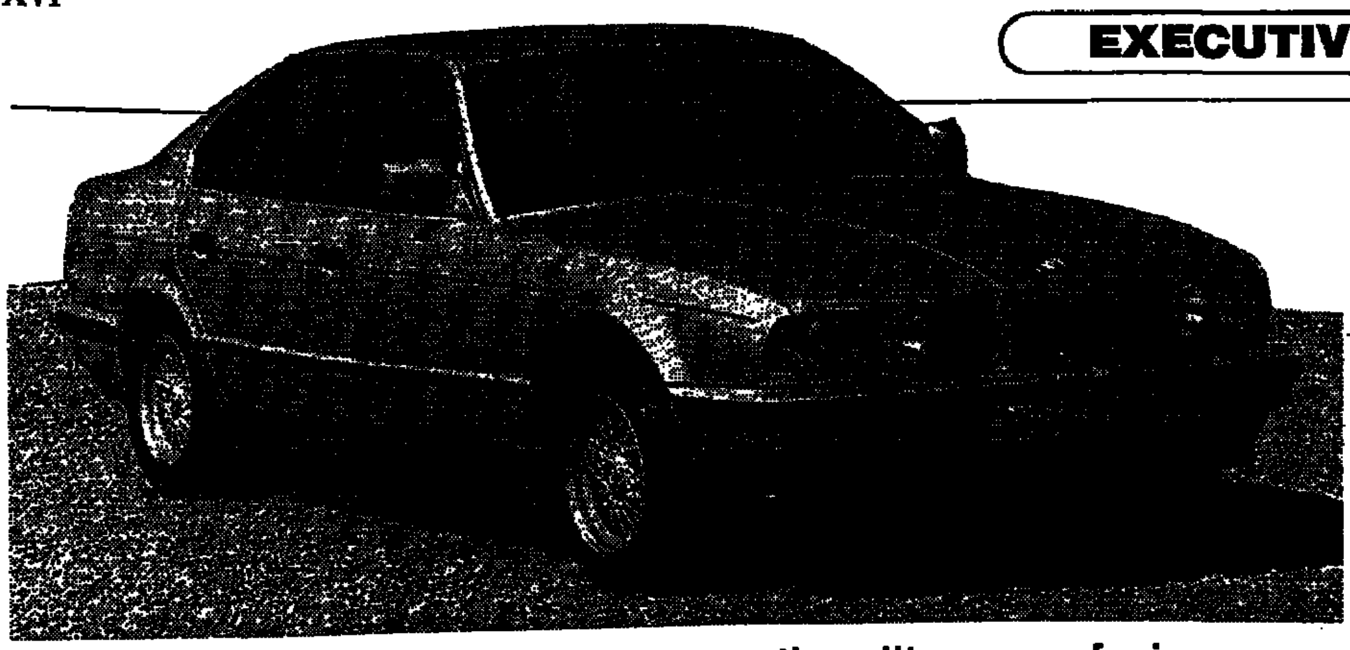
Volkswagen's entry into the executive coupé market heralded by the Corrado 16v

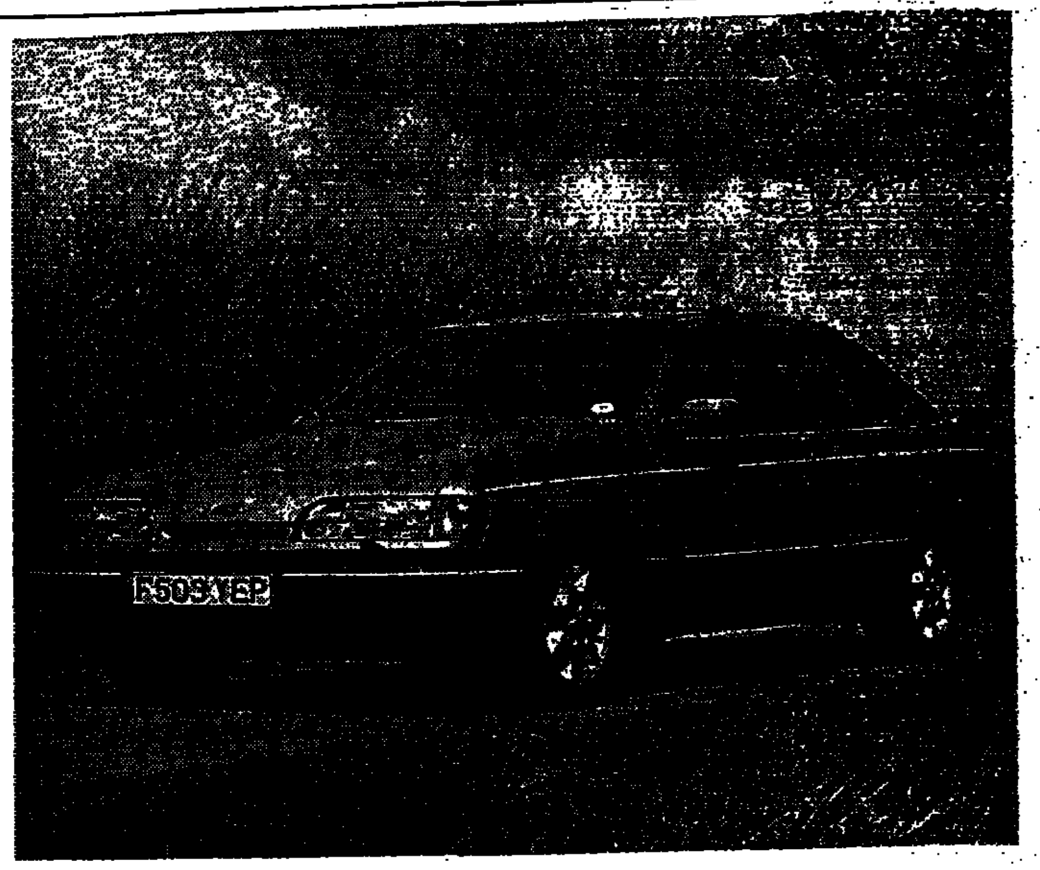
The number and complexity of electronic systems in the executive car will increase markedly during the 1990s. Conventional wiring would either be unable to cope or be so large and unwieldy as to be impracticable.

Instead, the industry is developing multiplexing, in which only two fibre-optic wires are needed to exchange information and instructions between the car's central computer and its operating systems, whether they be windscreen wipers or electronic anti-skid brakes.

The picture shows the contrast between a conventional wiring loom and the multiplex system that Mazda says it will introduce on its mainstream car ranges next year.

Mazda says that even in simple form the microplex system has the capacity of 6,000 conventional looms.





The BMW 5 series (left), launched a little over a year ago, is the head of its class. The elegantly-styled model, which caught some of its rivals by suprise, shares many of the features of the larger 7 series such as silken in-line 6-cylinder engines ranging from 2 to 3.5 litres capacity.

The Ford Granada (right) has seen its commercial performance hampered by the lack of a booted version. Ford plans to rectify this in the near future. The company has introduced a twin overhead camshaft, 16 valve, 2 litre engine for the Granada and the lower range Sierra.

**Stuart Marshall** casts an eye over the elite group facing a growing range of restrictions on life in the fast lane

# Reality threatens a world of high performance fantasies

EXECUTIVE CARS continue to be sold to buyers or user-choosers on the basis of promised high performance and luxurious appointments.

Theoretical top speeds of 130 mph and more are possible only on the West German autobahn while neck-jerking acceleration is mostly attained by brutal use of manual gearboxes that executive users increasingly reject in favour of automatic transmissions.

But never mind. Car manufacturers, their advertising agencies and car buyers had better enjoy their fantasies while they can because grim reality is closing in around them.

France has banned the use of illegally-high performance statistics as a means of promoting sales and in West Germany speeds on parts of the autobahn have been restricted by regional governments. Driven by environmental pressure this trend can only spread.

Several of the most potent West German executive cars have had their top speeds limited to a not unduly repressive 155 mph by electronic devices linked to engine management systems.

### Jaguar and Daimler set a traditional standard of luxury

Mandatory limitation to a maximum speed of not more than 100 mph/160 kmh, which has been the case in Japan for several years, is only a gleam in European politicians' eyes.

It is a logical, probably inevitable, step, given the emphasis on improving road safety, coping with increasing traffic density and safeguarding the environment from pollution by emissions and noise.

If the future has its grey tones, the present has never been brighter for the executive car driver.

Pressurised by market competition, the car makers have developed product ranges offering unprecedented levels of comfort, safety, economy and reliability.

First fruit of Fiat's rescue of Alfa Romeo from collapse was the Type 164, a large saloon combining some of the marque's traditional sportiness with modern ideas of luxury.

Available with 4-speed automatic transmission, the front-wheel driven 164 has a superb 3 litre V6 engine, lavish equipment and sells at keenly competitive prices.

All Audi cars are now available with quattro full-time four-wheel drive. Formidably good handling, road-holding and winter driving safety helps to justify their rather high prices.

The new Audi V8 is a bid to get into that end of the market held by the Mercedes-Benz S-Class and BMW 7 series. It comes, though it is not yet available in this country, with quattro transmission and what might pass as a typically British interior as standard.

Among the traditional executive choices that the Alfa Romeo 164 has to compete with are the BMW 5 series and Mercedes-Benz 200-300.

The BMW, introduced a little over a year ago, is the class leader. It has much in common with the bigger 7 series saloon: powered by silken in-line 6-cylinder engines of 2 to 3.5 litres capacity and elegantly styled.

Citroën's new XM, due in Britain in late autumn, continues the taming of the marque's quirkiness started by the smaller BX. Its hydro-pneumatic suspension has electronic monitoring that reacts instantly to a driver's changing mood.

Fiat is building up its Alfa Romeo and Lancia subsidiaries as the providers of up-market cars of a subtly different character.

The Lancia Thema, now available with a 16 valve 2 litre engine, shares many Alfa 164 components. It might be thought of as Group Fiat's Mercedes to the Alfa Romeo's BMW.

The new Dedra, based on Fiat Tipo and Lancia Thema components, looks sober but goes well in its larger-engined versions.

Ford continues to suffer commercially from the absence of a booted version of the Granada though this will not be so for much longer. New twin overhead camshaft, 16 valve, 2 litre engines have been introduced for both Sierra and Granada.

Jaguar and Daimler saloons set a standard of traditional luxury, ride comfort and silence unexcelled by any rivals. The increased power of larger engines, due soon, will be welcomed.

The Mercedes-Benz S-Class was up-staged by BMW's 12 cylinder 750 — now available in a normal wheelbase version. But the S-Class, though no longer young, remains competitive as a main board member's car.

The new Mercedes SL with multi-valve engines and electronically controlled suspension points the way that its successor, due next year, will go.

For sheer high technology, Mitsubishi's Galant 4WD/4WS is unmatched. Its permanently engaged four-wheel drive, rear wheels that steer at speeds of more than 30 mph/50 kmh and anti-lock brakes take uncommonly good care of its user.

Nissan's two recent entries into the middle manager and above class are the Maxima and Bluebird Executive. The Maxima is 3 litre, V6 powered, air conditioned as standard and thoroughly European in feeling.

The British-built Bluebird Executive was made-to-measure for the user-chooser or fleet manager. With a 2 litre, fuel injected engine, optional automatic transmission and Connolly hide trim, it has a feel of quality and performs well.

Peugeot is temporarily out of the senior executive race until the 605 succeeds the veteran 505 later this year. However, its 405 Mi16 is potent enough to please the young at heart executives who have gone far enough up the ladder to leave their VW Golf GTi 16 valve behind them.

### The Galant 4WD/4WS is unmatched for high technology

The Renault 21 turbo is pitched at a similar user to the Mi16 and offers a remarkable mix of performance, refinement and handling at a modest price.

Rover is offering versions of its 800 series, the Sterling included, with full catalytic emission controls as an optional extra for the environmentally conscious who wish to do more than merely use unleaded petrol.

Both saloon and hatchback versions of the big Rover offer an agreeable mix of dignity and muscle.

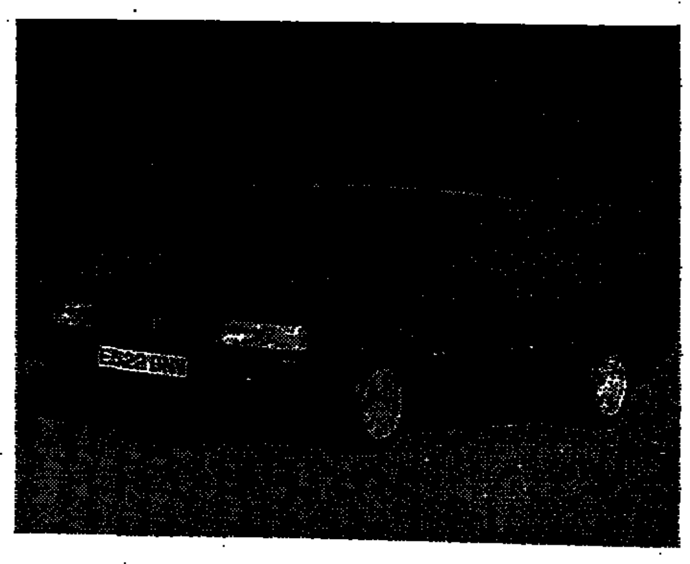
Saab has priced its solidly built but spirited 9000 CDi saloons shrewdly to take advantage of tax bands. The least elaborately, but still adequately equipped version is notable value at just under £15,500

Vauxhall's latest front or four-wheel driven Cavaliers are good enough to have persuaded some buyers to trade-down from the rear drive Carlton. However this large saloon is one of the better buys for those users who insist on a car with a boot.

The Volkswagen Passat is for those who find the Audi 80 and 90 too small and expensive and the 100 too large. It looks rather sober but feels exceptionally well made and has one of the roomiest interiors in its class.

Volvo has improved the ride of some of its large cars, with an elaborate independent rear suspension and without making them any less easy to control.

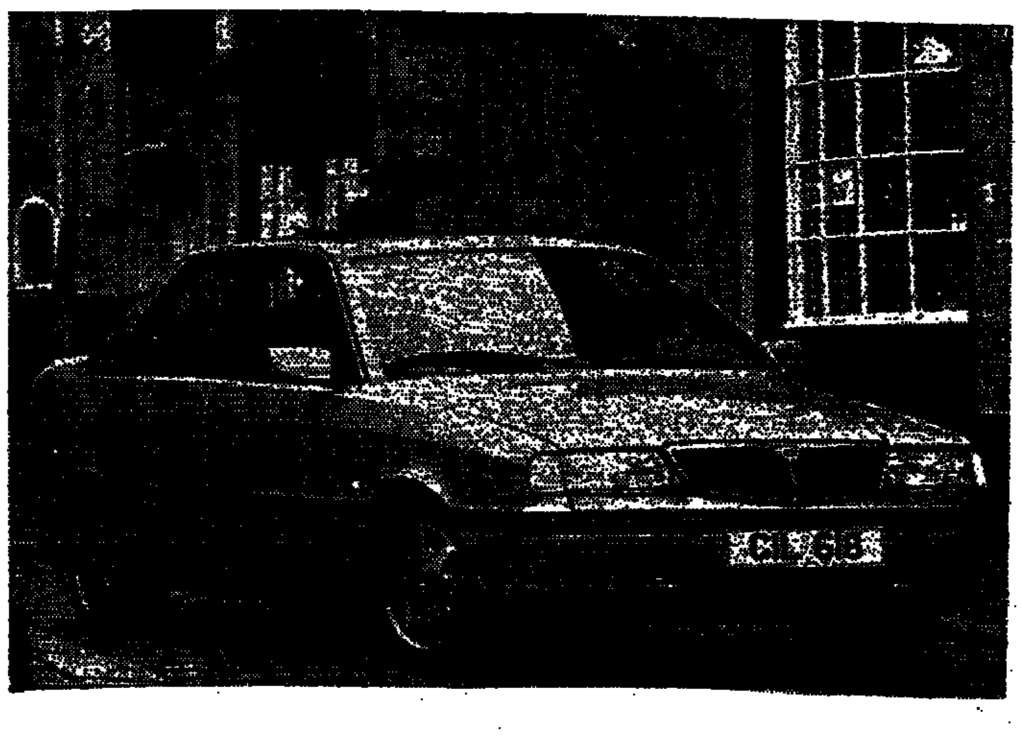
The new front-wheel drive 440 — especially the turbo — is the first Volvo saloon to focus on driver appeal rather than the safety and durability buyers take for granted.



The Saab 9000 CD (above) has brought added competition to the sector in terms of price. The lower range model is seen as good value at under £15,500.

The Volkswagen Passat (right) straddles a divide between large and small luxury cars sometimes ignored in this part of the market. Behind the car's sober visage is an exceptionally well-made vehicle with a deceptively large interior.

Fiat sees its subsidiaries, Alfa Romeo and Lancia, as providers of up-market cars which have a subtle difference. The Lancia Dedra (below), based on Fiat Tipo and Lancia Thema components, performs well in the larger-engined versions.



## ACCOUNTANCY COLUMN

# Seeking a tax advantage in US-UK takeovers

By Richard Waters

ACCOUNTING and tax differences are beginning to play a role in determining the outcome of takeover battles between UK and US companies.

Goodwill amortisation rules put UK suitors at a cosmetic advantage but if US companies structure their acquisition correctly they can enjoy tax deductions for a part of the transaction that can give their bid a cash flow advantage.

Last month, US-based Ogilvy, the world's fifth largest advertising agency, accepted a takeover bid of $54 per share from third-ranked UK based WPP after failing in its attempts to find a white knight or put together a leveraged buy-out.

One possible reason for its failure was stricter US accounting for goodwill rules which require companies to amortise acquired goodwill against income over no more than 40 years.

UK companies on the other hand can write goodwill off immediately against reserves/shareholder's equity.

At $54 per Ogilvy share or a total price tag of $864m, given 1988 assets of $151.79m, a US bidder would have to deduct at least $17.8m from its profits every year under US rules. This would have reduced Ogilvy's profits from $32.9m last year to $15.1m.

Goodwill in the Paramount bid to take over Time adds up to $9.2b which will reduce earnings by at least $230m a year.

In the WPP Ogilvy battle, US based Interpublic, the second largest advertising firm, entered the fray at the last moment with a stock offer that would have valued Ogilvy's shares at $59 to $60, but Ogilvy decided the cash bid was more attractive.

**Accounting for goodwill is not the only factor that makes US companies' profits look worse than their UK counterparts**

These accounting differences can make a cosmetic difference to a takeover bid, according to Interpublic's chief financial officer Mr Eugene Beard.

"It can make it very misleading where earnings are concerned. Generally financial analysts do realise this and they rewrite UK balance sheets according to US generally accepted accounting principles before they analyse a bid."

Analysts such as Ms Patricia McConnell of Bear Stearns agree.

"We are concerned on the impact on earnings and the price earnings ratio but in itself the accounting rules would not sway a decision. It would be a factor if the amortisation cancelled out earnings because we'd be worried that shareholders will question the wisdom of an acquisition that adds nothing to the bottom line," she said.

Take the deal in which UK-based Blue Arrow acquired US based Manpower for $1.33bn, of which $1.2bn was goodwill.

At that price a US suitor would have had to deduct at least $30m from earnings every year, leaving virtually nothing of Manpower's profits of $31.1m for the previous year.

At the time of the Blue Arrow bid, the US Congress asked the General Accounting Office, its investigative arm, for a report on the accounting disadvantage.

The Securities and Exchange Commission (SEC) which oversees accounting rules, was not impressed with this report. Neither the SEC nor the Financial Accounting Standards Board, which formulates rules for the SEC, have since considered reviewing the matter.

But US tax rules can make a big difference. Suppose company A took over company B at a price of $100m, borrowing the money to pay for the acquisition.

An interest rate of 14% would mean financing charges of $14m – which would be tax deductible provided the deal was structured correctly.

Now suppose that B, the acquired company, has assets of $50m and annual profits of $20m.

A writes the acquired goodwill of $50m down against profits over 25 years. This reduces B's profits to $18m on paper.

A then calls in valuers who assess the value of intangible assets of B not already on its balance sheet which are worth $25m (this could include brand names and franchises).

A writes this off against profits over a shorter period of time, based on the valuation of the intangibles.

If A does this over 10 years it can deduct the amount amortised – in other words, $2.5m each year against tax (this only works, though, if the deal was structured so that it acquired the assets of B in the first place, rather than acquiring the company itself).

It sounds easy on paper, but achieving this result may be a little more difficult.

The amortisation depends on Internal Revenue Service approval which is made on a case by case basis particularly after they tightened up on these transactions in 1986.

Many bids, such as Interpublic's for Ogilvy, would not qualify for the tax advantage since they are for the stock of the target company rather than its assets.

There is also a possibility that valuing intangibles over historic cost will attract capital gains taxation for the seller, pushing up the price.

**A common practice in the US is to incorporate trademarks, say in the state of Delaware, where they pay no tax on earnings from brand names**

In the above example A, the acquiring company, reports profits of $18m, but only pays tax on profits of $3.5m (£20m less the $14m interest costs and the $2.5m write-down of intangibles).

Interbrand, the branding experts who valued the brands of Rank Hovis McDougall in the UK, have advised clients on variations on this theme.

Another practice common within the US is to incorporate trademarks, say in the state of Delaware, where they pay no tax on earnings from brand names.

The actual production facility may be located in Illinois where it can get a deduction for royalties paid to the parent company in Delaware.

Accounting for goodwill is not the only factor that makes US companies' profits look worse than their UK counterparts. Take UK retailer Gateway.

*Its accounts filed in the US*, after deducting £19.9m to amortise acquired goodwill, show a number of other adjustments to take account of US practice: a *deduction of £14 m against* deferred income taxes, £6.1m against a sale and leaseback, £4.5m for depreciating freehold profits and £2.4m for the cost *of floating a convertible bond* among other measures.

These virtually halved its UK net profits of £120.8m to $125m in the US.

The International Accounting Standards Committee wants all countries to amortise goodwill over no more than five years.

If the UK is forced to accept this, its cosmetic advantage will be lost.

Tax systems on the other hand will take considerably longer to come into line.

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1st NOVEMBER 1989

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Résumés please, giving a day-time telephone number and stating details of present remuneration, to Torrance Smith, Coopers & Lybrand Executive Resourcing Limited, Shelley House, 3 Noble Street, London EC2V 7DQ quoting ref: TS572.

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You should be a qualified accountant with an excellent background in financial management gained in a processing or manufacturing environment. Highly developed interpersonal skills and commercial acumen are essential, as is the ability to fit into a young and innovative management team.

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The ideal candidate will be a confident, qualified ACA (aged 25-29) from either a major accounting practice or currently in their first position outside of the profession. Working knowledge of a second European language, particularly Spanish, would be advantageous.

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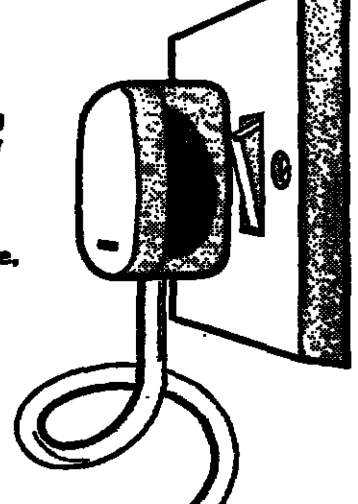

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# Finance Director

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**c.650,000 FF**
**plus substantial bonus and benefits**

We have been retained by an autonomous subsidiary of a multinational corporation, active world wide with revenues in excess of $5 billion. Acknowledged as leaders in information technology services, they have an excellent reputation for quality with an established blue chip client base. They are renowned as an aggressive sales and *marketing led organisation.*

They seek a commercially orientated Financial Director to play an active role in this Company's ambitious expansion plans within Europe.

Reporting to the European Headquarters in the UK you will:

- give strong commercial support to the General Manager, based in Paris
- be *responsible for the financial organisation* within four European countries

Aged 35-40 years with fluency in both English and French, you will have a business degree or equivalent and ideally be a professionally qualified accountant. Knowledge of US reporting, treasury and European tax aspects are essential. You must have a hands on practical approach with high professional standards, initiative and drive. Ideally with computer service industry knowledge, you will have the capacity to tackle a growing management remit, have a European outlook with experience secured within an international environment.

This is a high profile appointment. Besides an *excellent salary,* a substantial bonus together with *other* benefits are available to the performer. Opportunities for rapid progression are excellent internationally.

**Interested candidates should write in confidence to: Nicholson International at Vigilant House, 120 Wilton Road, London SW1V 1JZ, England, quoting reference N9058 or call on 01-976 5870.**

NICHOLSON INTERNATIONAL

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# *Group Financial Controller*

*an expanding role with significant European involvement*

*C£25-30,000 + Car* *Thames Valley*

With a world renowned product base, our client is a successful, highly profitable and acquisitive Group of companies with a turnover of c£150m in the high technology sector.

The mix of business operations throughout the UK, Italy, Germany, *France and Holland includes design, manufacturing and sales, through* to *smaller sales and support operations. To a very large extent,* success in this position is dependent upon the ability to build a sound business rapport with the European Management Teams.

Reporting to the Group Financial Director and with a major involvement in recent acquisitions, you will be responsible for the effective and timely *transfer and interpretation of management information* to the Board from all operating companies.

Spending several days per month in Europe, your brief covers all aspects from review of accounting systems, through to complete company reviews and acquisition feasibility studies.

In this senior commercial role, your ability to interpret trends and your personal view of strategic implications is as important as first class detailed accounting skills. You are likely to be fully qualified with a solid base of financial and commercial accounting, with that rare combination of business *vision, personality and the ability to influence change. The rewards package* reflects the importance of the position and it is generally seen as a stepping stone to other career opportunities.

**To make an immediate application please telephone Gill Wignall on Linkline 0800 269703, (weekdays 9.00 am – 5.30 pm, Thursdays until 7.00 pm), or *send your CV to Tony Clay.* Link Management Selection, 5 Queen Square, Bristol BS1 4JQ.**

LINK

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# Accountant Financial Control

c£27,000 plus car & benefits
London

A major international corporate communications organisation seeks a qualified accountant for a new role as a key member of the financial management of the company.

Reporting to the Financial Controller, your task is to look inwards into the reporting procedures and systems and ensure that effective financial control is exercised in accordance with US requirements.

You will work closely with line managers assisting them to interpret technical accounting matters and will be responsible for consolidating the accounts for onward transmission to the US.

The focus of this job is the control exercised through consistency and discipline in producing financial accounts and management information.

A qualified accountant is sought, with at least five years post qualifying experience in a multi-national organisation. Strong technical accounting skills combined with a knowledge of US reporting and US GAAP are essential.

The rewards package is negotiable and reflects the importance attached to this position. In addition to the salary there is a car, pension arrangements and private health care.

Applicants should send a full CV detailing salary and quoting reference *MCS/5134 to Barrie Whitaker at:*
**Executive Selection**
**Price Waterhouse**
**Management Consultants**
**No. 1 London Bridge**
**London SE1 9QL**

*Price Waterhouse*

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COURTAULDS

From £35,000 + Car + Relocation

Derby

# HEAD OF GROUP AUDIT

## *An Influential Role in a Performance Culture*

*"There could not be a better time to join Courtaulds. Our future looks promising. Why not become part of it?"*
*Richard Lapthorne, F.D.*

Courtaulds is an international Group with a world presence in fibres, coatings, films, packaging and textiles. The Group's sales are £2.6 billion and it employs 56,000 people in 38 countries.

Due to promotion to a Financial Directorship, *Courtaulds is seeking a new Head* of Audit. He or she will be expected to take the lead in developing and broadening an established audit function which plays a key role in ensuring the quality and reliability of control across this highly decentralised Group.

*The successful candidate is likely to be a qualified* Accountant and must have a high level of professional skills and technical expertise in internal audit as well as the credibility to liaise at main board level. It is unlikely that a person under the age of 33 would have the necessary experience, but maturity should not be a barrier to application.

Salary is unlikely to be less than £35,000 but will not be a limiting factor for an outstanding candidate. The package will include a prestigious car and the usual large company benefits.

Please apply directly to Angela Wright at Robert Half, Freepost, Brook House, Spring Gardens, Manchester M2 2BQ. Telephone: 061-236 0101 or evenings and weekends on 061-434 8429. Alternatively, fax your details on 061-236 1024.

ROBERT HALF
MANCHESTER

Financial Recruitment Specialists
London · Birmingham · Windsor · Manchester · Bristol · Leeds

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# FINANCE DIRECTOR

**£35,000 + 25% Bonus + Car** **Surrey**

A combination of investment in their existing business and in acquisitions has helped our client's sales and profits grow by more than 20% pa in each of the last two years. As part of a highly successful £300m British plc, the company now has sales of around £50m pa and is a market leader in the manufacture and marketing of high volume precision products.

Due to internal promotion, a Finance Director is required to play a key role in the overall management and strategic development of the business. This will include directing long range planning, budgetting and management and financial reporting activity and the further development of computer systems.

Candidates will be qualified accountants aged 35-42. A degree in a technical discipline is also desirable. Experience in monthly and annual reporting, systems development, business planning and forecasting within a high volume manufacturing, light engineering or consumer durables environment is essential. A strong but diplomatic approach and a record of achievement to date will be required.

Attractive benefits include a competitive salary, performance related bonus (25% plus pa), executive car, life assurance, personal accident and private health care, contributory pension scheme and generous relocation expenses if appropriate. There are excellent prospects for career development in the Group.

Please write with a full CV to Richard Brasher at the address below or telephone for further information.

MKA EXECUTIVE SEARCH AND SELECTION LIMITED
MKA House King Street
Maidenhead Berks SL6 1EF
Telephone: (0628) 75956 Fax: (0628) 770065

MKA

Maidenhead, London, Worcester

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*Gabriel Duffy Consultancy*

# MANAGER UK TAX

**S.W. LONDON** **c.£35,000 + Bonus + Car**

Our client, a major international computer company, requires a young and ambitious tax specialist to assume responsibility for all the U.K. tax affairs of the Group.

Ideal applicants will be in their late twenties or early thirties, with a proven record in top level corporate tax. The preference is for an Honours Graduate with a recognised accountancy and/or taxation qualification.

The job holder will report to the Manager, Worldwide Tax and become progressively involved in the sphere of international taxation. Good communicative and general interpersonal skills *are essential, including the capacity* to interpret technical *matters* and taxation strategies for other senior managers who are non-specialists. There will also be liaison with various external tax advisors, the Inland Revenue and VAT Officials. Career prospects are excellent.

*Other benefits include 25 days annual holiday and private medical insurance.*

**For further particulars please contact GABRIEL DUFFY or JANE BARCLAY, ACIS on (01) 831 2288 (Evenings and weekends 'phone (0273) 733797 or (01) 202 7478. Alternatively write to GABRIEL DUFFY CONSULTANCY, 31 SOUTHAMPTON ROW, LONDON, WC1B 5HJ.**

*Gabriel Duffy Consultancy*

# Group Chief Accountant

**c£45,000 + Benefits**

Our client is pre-eminent in the world of insurance and re-insurance broking.

From the Company's formation in the early 19th century, substantial organic and acquisitive growth has led to increasingly diverse business activities and a complex global structure.

Internal restructuring has created the need at a senior level for the appointment of a Group Chief Accountant. This position reports to the Group Financial Controller and in turn carries responsibility for both the financial accounting and taxation departments. The principal areas of involvement will be:

* Compliance with international accounting standards, taxation and VAT requirements
* Providing specialist services to Group companies
* Production of year end statutory accounts
* Advising on corporate structures, acquisitions and disposals

The individual we seek will be a chartered accountant aged 35-45, technically competent and with broad experience gained at senior level within a complex group structure. Whilst specific industry experience would be useful, it is not essential. Much more important is a pro-active approach to problem solving, and the ability to control and work within stringent deadlines.

There may be some opportunity for international travel, but this will not form a major part of the role.

This is an exciting and rapidly changing period for both the City, and the Group, thus for any committed individual, career prospects are excellent.

To investigate this opportunity further, contact Diane Forrester ACA on 01-831 2000, or write to her at Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance

International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

# European Controller

**Paris** **£30-35K**

Our client, a rapidly expanding and acquisitive PLC operating in the electronics sector, is creating this position as the cornerstone of its strategy to continue its development in Continental Europe. The present turnover in this market is some £16m and is planned to increase quickly through both internal and external growth, offering excellent career prospects to commercially minded candidates.

The individual will be responsible for the financial control and co-ordination of all the European distribution operations. Particular emphasis will be placed on the maximisation of profit margins, cash flow and stock levels, the harmonisation of the computer systems and the supervision of the purchasing function.

Candidates should ideally be qualified accountants who will have spent at least two years' in an operational financial role, preferably in a distribution company. Knowledge of French and/or German is essential.

Please contact Ivor Alex in Paris on (010 33 1) 42 89 30 03 or write to him enclosing a comprehensive curriculum vitae and quoting ref. no. IA 1620 FT at Michael Page France, 10 rue Jean Goujon, 75008 Paris, France.

Michael Page International

International Recruitment Consultants

London Amsterdam Eindhoven Brussels Antwerp Paris Lyon Sydney

# FINANCIAL CONTROLLER

## World leading publisher of entertainment software

**Langley, Slough** **c.£30,000 package + car**

Founded in the early 80's, Electronic Arts has grown rapidly to worldwide sales of $70m. The UK Company was established in 1987 as the base for European expansion. Turnover this year will exceed £5m.

It employs around 35 people and a young qualified accountant is now sought to join the small executive team controlling this profitable business. The usual accounting + MIS responsibilities are at the heart of this role but the total brief is much wider, demanding someone with strong commercial instincts and a lively personality. The Company and its staff are young, informal and management success derives from leadership by example. Experience of publishing and/or software sectors would be useful.

Electronic Arts Ltd converts US products for European markets and is increasingly developing its own product range. Essentially, it is a publishing and distribution business, drawing upon a group of independent creative software artists for its products, many of which are international success stories in a highly competitive, "fashion" led market.

Growth prospects are good and share options in the US parent will be offered along with an attractive range of benefits. There will be occasional trips to California and to Europe. Appointment as a Director should follow within two years.

To apply, please send details of your career to date to Mike Smith, ref E/NJA.

KPMG Peat Marwick McLintock

Executive Selection and Search

Abbots House, Abbey Street, Reading, Berkshire RG1 3BD.

# Group Accounting Manager

**East Midlands** **c. £50,000 + F/E Car + Generous relocation**

Our client, a major plc experiencing growth organically and by acquisition, is looking to strengthen its head office finance function by the appointment of a Group Accounting Manager.

As part of the senior finance team, the position will take responsibility for the preparation of complex consolidated statutory accounts, monthly management accounts including board commentaries, budgets and cash flow forecasts. The Group operates to strict deadlines and employs a dedicated computerised accounting system.

Applicants for the position should be qualified financial accountants, aged 30-42, with a minimum of four years experience at a similar level within a fast moving major plc environment. Additionally applicants must be totally conversant with accounting standards, including all aspects of accounting for acquisitions and divestments. An ability to demonstrate commitment and drive will also be sought.

Applicants interested in this opportunity should send a detailed curriculum vitae, with salary details, and quoting reference 4501 to:–

Peter Childs, Director
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
LONDON EC1N 8JA

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

# Treasury Manager

**£25,000-£27,500 + Benefits + Car**

Our client is a major U.K. quoted company with growing U.K. and international operations.

A person is now sought to take responsibility for the day-to-day management of a busy treasury operation and to assist, and deputise for, the Treasurer in carrying out all of the responsibilities of the treasury department. Key tasks will be to ensure operational control and that treasury systems are effective, to manage the provision of forecasts and reports for management purposes, and to assist in the maintenance of effective banking relationships and in the documentation of all funding initiatives.

The person appointed, who will preferably be in their mid-thirties, will have had between five and ten years' previous experience in treasury and/or banking operations and administration, and will have a wide knowledge of the money and foreign exchange markets together with experience of utilising current risk management instruments and techniques. A professional qualification in treasury, banking or accounting would be desirable. Strong administrative and management skills will be necessary.

An attractive salary will be supplemented by a benefits package which will include a car and profit sharing. The company's head office is in the western home counties and relocation assistance will be provided where appropriate.

If you wish to apply for this position please write – in confidence – enclosing a CV to Douglas Austin, reference 7125. MSL International (UK) Ltd., 32 Aybrook Street, London W1M 3JL.

MSL International

London Metal Exchange Ltd

# Chief Executive

**Substantial Package**
**City**

The current Chief Executive, Mr Michael Brown, of the London Metal Exchange is due to retire at the end of 1989 and his successor is now being sought.

This role will provide leadership and management of the day to day running of the Exchange. There will be extensive involvement in strategic and operational issues and also overall responsibility for marketing and financial management.

Reporting to the Managing Board this will be a high profile liaison role with member companies and users of the LME, plus contact with other exchanges, government departments, regulatory bodies and trade associations.

This position provides an excellent opportunity for a person who has reached a senior executive role within the metals or associated industries.

As advisers to our client we will fully respect the confidentiality of those wishing to discuss this appointment. Please either telephone Michael Madgwick on 01-334 5191 or alternatively write to him quoting reference MCS/1061 at
**Executive Selection Division**
**Price Waterhouse**
**Management Consultants**
**No. 1 London Bridge**
**London SE1 9QL**

Price Waterhouse

# Finance Director

**Commercial Property Development**

**to £40,000 + Car + Substantial benefits**

**M4 Corridor**

Our client is a highly successful property development group which, under the active management of a dynamic and highly-motivated team of professionals, has established itself as one of the leaders in its field. It is already one of the U.K.'s fastest growing companies, with a broad base of profitable operations, and ambitious plans for further expansion through organic and regional growth, as well as joint-venture activity.

To further strengthen its management team, they are seeking to appoint a Financial Director to provide the financial focus for its established and growing Commercial operation. Reporting to the Group Finance Director you will be a key member of the Commercial management team providing full business support to the Managing Director. In addition to supervising the preparation of accurate and meaningful management information, you will be responsible for the development and presentation of financing proposals and joint-venture agreements, and work closely with financial institutions and business partners in the funding, management and control of projects.

For this demanding and challenging role, in which you will have every opportunity to make a major contribution to the profitable development of the business, we are seeking a qualified accountant, most likely aged 30 – early 40's, who can demonstrate a successful career record of achievement to date, together with proven experience in the commercial property development sector. Above all, you will have the personal integrity, commitment and maturity of business judgement to ensure your career development with the Group, with the possibility of a main Board role in the not-to-distant future.

Please write in confidence to Neil Wax, Consultant to the Company, with full career details, including current remuneration package or, ideally, phone him on 01-387 5400 (eves 0923 819298) for an initial discussion. Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN.

financial SELECTION SERVICES

Executive Selection Division

GENERAL UTILITIES PLC

# FINANCIAL CONTROLLER

## A unique opportunity in the Private Water Industry

**£35K + car + benefits** **Central London**

General Utilities PLC is the holding company for major investments in the UK water industry. It is part of a substantial European-based Services Group. At a time of considerable change in the industry the company is looking to expand and diversify its present interests.

Your aims will be to manage and develop the finance function of this growing organisation, to represent the company at a senior level and to contribute to the implementation of its commercial strategy. Reporting to the Financial Director, you will have a critical role in a young and professional team.

You will be a Chartered Accountant who has the potential to develop with the company. Ideally, you will be aged between 28-35 and have:

★ evidence of a successful career to date
★ drive and initiative
★ the flexibility to cope with change
★ innate commercial awareness
★ familiarity with computer technology

The rewards, like the demands, are high and include an excellent salary, a fully-expensed executive car, private health care, an excellent pension scheme with free life assurance cover and the opportunities for personal and career development.

**Applicants, male or female, should send a full C.V. to John Greenway, Mercuri Urval Ltd., Spencer House, 29 Grove Hill Road, Harrow, Middlesex, HA1 3BN. Tel: 01-863 8466, Fax: 01-861 1978, quoting reference 193/89.**

Mercuri Urval

# If you can develop international tax strategies that work, the world is yours.

**Essex** **Up to £27,000 + Benefits**

The chance to start up a job, to shape it, to take it as far as your skills and ambitions dictate is always challenging. When the opportunity is offered by a major player in its field, the challenge and the rewards become truly interesting.

It is just such an opportunity that Ford New Holland Ltd is offering to a specialist in International Tax.

Although part of Ford, we now operate with less dependency on central and corporate services and are well on the way to building a treasury function capable of working effectively on a global scale.

Your brief will be to develop international tax strategies. In addition, you will be responsible for monitoring corporate and personal tax legislation to ensure compliance with the relevant tax legislation.

The position calls for an individual, who is pro-active and committed to making a real and lasting contribution to our success. It is also essential that you have proven experience of UK taxation, both corporate and personal, or that of another country. European experience is also highly desirable.

Send your full CV to our Consultant, Graham Mead, at Moxon Dolphin Kerby Limited, 178-202 Great Portland Street, London, W1N 6JJ.

Alternatively telephone him on 01-631 4411 during office hours or on (0268) 793673 (out of hours).

*This vacancy is open to both men and women regardless of ethnic origin in line with Ford's Equal Opportunities policy.*

Ford
FORD NEW HOLLAND

- FORD NEW HOLLAND GROUP OF COMPANIES HAVE A TURNOVER OF NEARLY $2.5 BILLION.
- A LEADING MANUFACTURER OF AGRICULTURAL AND INDUSTRIAL MACHINERY.
- AROUND 90,000 TRACTORS AND 50,000 COMBINES SOLD ANNUALLY.

# Assistant Financial Controller

## Major Retail Chain

**London** **to £30k + car + benefits**

Through a group of companies that are all household names in the UK, this successful niche sector retailer achieves a turnover of £120 m annually. They currently run over 200 shops which benefit from strongly branded market leadership defined by their highly visible identity.

A qualified ACA/ACCA, aged 25-30, with at least one years PQE gained within commerce, is sought to take a major role in the group's head office's varied finance function. This position affords enormous commercial exposure to all the groups activities and offers the potential to move into other more specific areas.

In addition to the excellent career prospects, benefits include share options, pension and health care schemes and generous staff discount.

For further details call Tracy Alper on 01-638 1711 or write to her enclosing full career details.

Those who think, think Mervyn Dinnen

MERVYN DINNEN ASSOCIATES

LONDON 46 MOORGATE, LONDON EC2R 6EL TEL: 01-638 1711 CRAWLEY

# Financial Director Designate

## Wiltshire based: Circa £30,000 + car

Our client is an established and actively expanding, US owned company which specialises in the marketing and manufacture of Durable Medical products. With annual sales of just under £10 million, further growth is planned in the UK and continental Europe.

Initially, the priority will be to ensure the soundness of existing accounting procedures and to substantially develop cost accounting and other management information facilities. This will include the implementation of new information technology which will provide an integrated production and accounting system. The medium term objective will involve influencing the strategic direction of the UK company as a senior member of the management team. The ideal candidate will be professionally qualified, probably aged 28-35, with relevant commercial experience, preferably in a manufacturing environment. Essentially, you will be used to operating within tight schedules for group accounting and reporting and should be conversant with the PC based tools available to today's accountants.

A competitive reward package will match the importance of the role and there are clearly excellent career development opportunities.

Please write with CV to David Dodd, quoting Ref: 17586. MSL International (UK) Ltd., Broad Quay House, Broad Quay, Bristol BS1 4DJ. Tel: (0272) 276617.

MSL International

# INTERNATIONAL OPPORTUNITY IN TREASURY AND ASSET MANAGEMENT

J I Case is part of Tenneco, one of the fifty largest industrial conglomerates in the world. We are also one of the world's leading manufacturers of agricultural and construction equipment with major investments in Europe, including assets of $1.5 billion, 12,500 employees, 14 manufacturing plants and over 2,000 dealers and wholly owned company stores. Following major re-structuring of our operations to ensure further growth and profitability we now require a highly qualified and motivated individual to fill the position of ASSET MANAGER, based at our European headquarters in Walton-on-Thames.

You will monitor the utilisation of assets in all Case Europe subsidiaries and recommend/initiate agreed actions to maximse cash flow and minimise interest expense, foreign exchange exposure, and both current cash taxes whilst maximising use of tax loss carry forwards. This is one of three key positions reporting to the Manager responsible for European treasury and credit management and the role reflects the importance attached to effective asset management by Case.

The ideal candidate will possess an accounting or banking qualification and have at least 5 years' operating experience in a senior capacity within the finance department of a major international organisation. A degree in Business Administration, and foreign languages would be advantageous.

In return we will help you develop your career internationally and in addition to salary offer a competitive benefits package, including a car.

If you meet our requirements, please write in confidence enclosing a comprehensive C.V., with current salary details to:

Neil Oldfield, Manager,
Organisation Development, J I Case Europe Limited,
PO Box 85, 85/89 High Street, Walton-On-Thames,
Surrey KT12 0DL Tel: (0932) 223327

TENNECO

case

We are building and growing

Automated Security (Holdings) PLC

# Financial Director – International

## North London base c£40,000 plus benefits

Automated Security (Holdings) PLC is the leading specialist in the UK electronic security market with turnover of £83 million. Building on this success, the Group is expanding its operations across Europe and already has subsidiaries and joint ventures in nine countries. Growth to date has been primarily organic but a programme of acquisitions is now envisaged.

The International sub-group now needs a high calibre Financial Director. This is a newly-created position which will call for a mix of strategic and 'hands-on' involvement enhancing financial controls and providing assistance to local companies according to their relative needs. You will play an essential role in the systematic expansion, liaising with local outside experts and participating in negotiations. Overseas travel is expected to be at a level of 30-40%.

Probably aged 35-45, you will be a qualified accountant from the U.K. or other European country with a clear track record of success in an international environment. You will have a broad business perspective outside the accountancy function with the maturity and flexibility of mind necessary to relate to people from different countries. Any European language capability would be an advantage.

Please write – in confidence – including current salary to Nigel Bates FCA, quoting reference 34049 at: MSL International (UK) Ltd, 32 Aybrook Street, London W1M 3JL.

MSL International

# Financial Controller

**£30,000-£35,000 negotiable + Car** **Kent**

This company is a division of a major US multinational. A Financial Controller is sought to join the core management team of its £25 million turnover manufacturing plant, one of its many locations throughout Europe.

Reporting to the General Manager and the European Financial Controller you will hold full responsibility for this UK business unit, including maximising profitability and asset utilisation. You will be expected to implement and maintain accounting standards and management policies and provide a commercial focus as well as financial information in order to assist in strategic decision-making.

Applicants should be qualified accountants, preferably in their thirties, with significant management accountancy experience at a senior level gained within a manufacturing environment. Leading and motivating a financial team and controlling a data processing function will be familiar to you. Your background is likely to have included experience with an international company. This position demands both astute financial and commercial skills so it is essential to have the personality that thrives on a testing and highly visible role. A career post must be of interest.

Please send full career and salary details to Mrs Jennifer Baker quoting reference LI9014 at the address below.

LINK 13/14 Hanover Street, London W1R 9HG. Tel: 01 493 5788.

Link International Search & Selection Ltd.

# Financial Planning Manager

## Mobile Communications – The New Generation

**To £35,000 + prestige car**

Our client is looking for a young and dynamic Financial Planning Manager. Owned by a consortium of multi-national companies, the company has recently been awarded a Telepoint operator's licence and is poised for explosive growth in the exciting telecommunications industry.

You will report to the Finance and Administration Director and be responsible for the financial planning and treasury functions within the company including:-

- the review of capital expenditure and marketing proposals;
- financial forecasting, financing arrangements and cash management;
- the management of a major subscriber billing contract;
- various ad-hoc projects.

The appointee will be a key player in a high calibre and vigorous team.

*You must be a qualified accountant*, probably with a degree or MBA, *who has worked in a senior financial role with a major profit* orientated company. You will be aged 28 to 32, have at least three years' post-qualification experience, preferably in a fmcg industry and be able to demonstrate sound career progression. You must be highly motivated with strong leadership qualities and possess first class technical and interpersonal skills. Above all you must have the flair, intelligence and flexibility to succeed in this new position in an environment which will change the face of personal communications over the next decade.

*This is an important appointment*, based in a congenial location in the South, which offers genuine career development potential.

If you are interested, please telephone Stuart Adamson FCA or Graham Marlow on 0532 451212 or send your CV, in confidence, quoting reference number 667, to Adamson & Partners Ltd, 10 Lisbon Square, Leeds LS1 4LY.

ADAMSON & PARTNERS LTD.

**Executive Search and Selection**

ANTONY DUNLOP
ACCOUNTANCY RECRUITMENT CONSULTANTS

# FINANCIAL SERVICES

## FINANCIAL ANALYSIS/SYSTEMS DEVELOPMENT

**London** **c £28,000 + car + substantial bonus**

Our client is an autonomous European Finance group of companies, which are part of a major US Corporation with a turnover in excess of $3 billion.

They are now seeking to recruit an ambitious individual to strengthen the high profile finance team. The initial brief will be to further enhance and develop the use of the existing computer system to produce more timely and effective financial and management information. After successful completion of this important project, responsibilities will broaden to encompass the full range of financial and management reporting, and business analysis. The successful candidate will play a significant role within the Group's development and gain an in-depth knowledge of the Financial Services Industry.

To be considered for this challenging and varied role, you must be a qualified accountant, have a high level of spreadsheet experience. Knowledge of computer interrogation packages, and experience of implementation of changes to computer systems would be desirable. For an enthusiastic and committed individual, the opportunities for career development within the Group are excellent.

To apply please contact: Caroline Myzak at Antony Dunlop Ltd, 18 Jermyn Street, London SW1Y 6HP. Telephone 01-439 6171, Fax 01-734 4571 or call 01-385 4434 outside working hours.

LONDON AND AUCKLAND

# Head of Private Clients

## Major Stockbroker

Substantial Package — Provinces

**Major firm with a very substantial UK parent seeks a top class broker to head an established private client team from a provincial centre.**

**THE COMPANY**

◇ Excellent reputation as private client broker. Active in institutional and corporate finance business.

◇ Prominent provincial office. Broad client base.

**THE POSITION**

◇ Heading an established, experienced team of private client professionals.

◇ Task is to develop size and quality of client base.

◇ Maintain highest professional standards and increase profitability.

**QUALIFICATIONS**

◇ Team leader and proven business developer with 10-15 years experience of private client broking.

◇ Ideally a successful professional wanting to be based out of London.

**THE REWARDS**

◇ Generous base salary. Performance bonus. Good benefits.

◇ Long-term opportunity in group committed to this market.

Please reply in writing, enclosing full cv,
Reference BH2466.
54 Jermyn Street, London SW1Y 6LX.

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# "In four years – 55 flotations"

# Corporate Financial Services

City — £ attractive negotiable

You are an innovative Corporate Finance professional, likely to be in another major accounting firm, seeking an opportunity to build on your 1-5 years' experience. We are looking for outstanding qualified accountants with commercial flair to join our team of over 40 professionals as Managers and Senior Managers.

Our track record includes:

- recognition by City institutions as one of the top corporate advisers;
- 55 flotations in the last four years; and
- the first simultaneous trans Atlantic flotation.

BDO Binder Hamlyn is one of the top international accounting and consultancy firms. Our CFS Department is a market leader with an outstanding reputation for innovation, commercialism and professionalism.

**Why join us?**

- over 130 quoted company clients, many of whom are growing rapidly;
- a wide range of assignments involving clients in most commercial and industrial sectors;
- continuing aggressive expansion of our services;
- our commitment to quality and service for clients;
- early responsibility and outstanding career and self development opportunities; and
- 5 disciplines: Mergers and Acquisitions; Development Capital (including MBO's); Investigations and Stock Exchange compliance work; Treasury Services; and Corporate Pensions Services.

Our remuneration package (including car, pension and full benefits) is designed to attract and retain the best in the market.

If you think your aspirations match our needs write in confidence to Barbara Robertson in our Management Consultancy, with full career and salary details, quoting ref. 1588 or call her for a preliminary discussion on 01-583 3303.

BDO BINDER HAMLYN

**BDO Binder Hamlyn**
**8 St. Bride Street London EC4A 4DA**

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## INTERNATIONAL ENTERTAINMENT GROUP

# Director of International Audit

## to £40,000 + Bonus + Car

A market leader in the field of entertainment, with a rapidly growing turnover in excess of £250 million, our client is young and dynamic with a forward thinking and aggressive approach to the leisure industry.

Due to increasing demands placed on the finance *function during this critical phase of global* expansion, they seek to appoint a Director of International Audit.

Reporting directly to the Chief Financial Officer you will assume total responsibility for the review of financial and operational controls worldwide. Specifically this will include the design, planning and co-ordination of audit programmes managing a small team of qualified accountants dealing with both operating subsidiaries and licensee operations worldwide together with undertaking specific investigation into the effectiveness of operational activities, long term contracts and licensing arrangements.

The successful candidate will be a qualified accountant who can demonstrate a record of success to date coupled with an innovative and mature approach to organisational problems. The role will require extensive liaison with the operating management necessitating strong interpersonal skills and a keen business sense.

Please write enclosing full career and salary details together with a daytime telephone number to **Stephen K. Banks ACMA, Michael Page Finance, 39–41 Parker Street, London WC2B 5LH quoting ref. 2927.**

MP

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

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## GROUP ACCOUNTANT

**SW1** — **c£30,000 + Car**

High profile role at head office of major distribution and retailing group for ACA, aged 26-30. You will undertake special projects including potential acquisitions, analytical business reviews and provide regular management information. Excellent prospects. Ref: SMA4972

## PROJECT MANAGER

**City** — **£28,000 + Bank Benefits**

Highly influential role for ACA, aged 27-35, within a leading investment banking organisation to control varied projects including the acquisition and disposal of subsidiaries. A background in financial services would be desirable. Ref: SML4752

## MANAGEMENT ACCOUNTING EXECUTIVE

**Chelmsford** — **£26,000 + Car**

Hi-tech company requires qualified accountant, ideally aged 26-33 with strong management accounting and strategic planning skills to lead a large analytical team. Outgoing personality essential for this high profile position. Ref: CSM4863

## OPERATIONS ACCOUNTANT

**SE1** — **c£26,000 + Car**

"Blue-Chip" leisure services group seeks energetic and ambitious ACMA/ACCA for demanding company wide role. Involvement includes feasibility studies, analysis of business performance and systems appraisal. Age 27-35, an excellent "sharp-end" opportunity. Ref: JFH125811

## ASSISTANT TO FINANCIAL CONTROLLER

**City** — **£25,000 + Bank Benefits**

Securities arm of prestigious UK merchant bank seeks a young qualified accountant to *take responsibility* for the accounting and reporting function and to provide quality management information. Ref: HKM4155

*To apply for these or other similar opportunities in London or Essex, please write to or telephone*

**MANAGEMENT PERSONNEL**
**25 City Road, London EC1Y 1AA**
**Tel: 01 256 5041 (24 hrs)**
**Fax: 01 374 8848**

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# EUROPEAN FINANCIAL CONTROLLER

Negotiable to £35,000 + Car + Benefits

City

MAI Brokers (Europe) Ltd is responsible for money and securities *broking in Continental Europe for MAI plc – the international* financial, media and information services group.

*The company needs to upgrade the finance function. Joining a small* and highly professional team you will be responsible for all aspects of financial planning and control, particularly assessing performance and evaluating new products and potential acquisitions. You will be responsible for developing accounting at operational unit level and will work closely with directors and other senior executives.

Promotion opportunities are excellent – either within the division or within the Group.

Candidates (aged late 20's to early 30's) will be qualified Accountants (probably ACA) with experience including corporate finance or investigations work. Languages are essential (German, Spanish, French), as is a readiness to travel.

Please apply directly to Greg Ripley at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone: 01-836 3545, or evenings on 01-485 1356. Alternatively, fax your details on 01-836 4942.

Financial Recruitment Specialists
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# TREASURY ADMINISTRATION MANAGER

## Extend our tradition of innovation

£25-£30K + Car · Concessionary Mortgage · Other Benefits · Northampton

It's only appropriate that the country's most progressive and innovative Building Society should be entering yet another phase of rapid growth based on a succession of new products and new ideas.

With total assets already exceeding £25b, this expansion in both domestic and international markets *is opening up a series of outstanding career prospects* for experienced professionals who share our ambition and drive. The centralisation of our Treasury *operations at our expanding* Administration Centre in Northampton epitomises this, and we are now looking for a financial specialist to develop new settlement accounting and administrative procedures.

This key role in a dynamic department promises the prospect of full responsibility for implementing an integrated computerised Treasury Administration System and pioneering our entry into the worlds of off-balance sheet management and foreign exchange.

Such a wide-ranging brief calls for extensive Treasury Operations experience in a Group environment, ideally with a Banking bias. You should also be a graduate with a recognised Accountancy or Corporate Treasury *qualification. More important than all these, however,* are your personal qualities: commitment, initiative and the will to succeed. In short the potential to extend our tradition for innovation.

As a reflection of the importance we attach to this position, you can look forward to an attractive salary, fully expensed company car, concessionary mortgage, BUPA and relocation assistance, where necessary.

Your first step towards an exciting future is to send a full CV, including current salary, with a covering letter, to: Richard Wharton, Personnel Administration Manager, Nationwide Anglia Building Society, Chesterfield House, Bloomsbury Way, London WC1V 6PW.

Nationwide Anglia Building Society

*Nationwide Anglia is an equal opportunities employer*

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# GROUP ACCOUNTING

## Service Sector Leader

## c£30,000 + car

An autonomous subsidiary of one of the world's strongest financial groups, our client is a leading force in its rapidly changing sector.

As a key member of a close knit head office team, responsibilities will include the review and consolidation of management and statutory accounts, budgetary control and financial planning. Regular contact with *management of self accounting* regions and ongoing accounting and systems development work will provide further challenge and fulfilment.

Aged *late* 20s/early 30s, applicants should have at least four years' post qualification experience gained either in the profession or commerce/industry. Career prospects in this company and the parent group are excellent.

**Please write with full career details or telephone David Tod BSc FCA quoting reference D/840/CF.**

LLOYD MANAGEMENT

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

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# Head of Investment Research & Marketing

**Paris**

Our client is a rapidly-expanding French group specialising in investment reports and analyses of companies quoted on the Paris Bourse. The research is produced in French and English for clients who include the world's major institutional investors.

You will lead and direct a team of top financial analysts engaged on a demanding schedule of research; this will involve top-level contact within companies being researched, and you will be ultimately responsible for the quality of the final product. You will also make a decisive contribution to the development of the business by promoting and selling subscriptions to new clients.

You must have sound experience in financial analysis, first-hand knowledge of the Paris Bourse and a proven flair for financial-sector marketing. You will be an assured leader with the negotiating skills and personal credibility to make a positive impact at senior levels. A thorough command of English and French is essential.

This high-profile role involves working closely with the Chief Executive, and your prospects are excellent: you could well move up to become Managing Director and, possibly, a partner.

A generous salary will be supported by a full range of finance-sector benefits including a profit-sharing scheme.

Applications will be treated in strictest confidence. Please send a hand-written letter with detailed cv, references and present remuneration to: Media-System S.A., 6/8 Impasse des Deux Cousins, 75849 Paris, Cedex 17, France, quoting reference S6952.

MEDIA SYSTEM

## YOUNG FINANCIAL CONTROLLER

**To drive profits still higher by controlling manufacturing costs**

**c.£22,500 + car** **Surrey/Sussex borders**

Established for over a century, located in delightful countryside and impressively profitable almost without trying, this £4 million turnover production and marketing operation has just become part of a fast growing and successful group. The glaring missed opportunities of past years have been recognised and the new M.D. is determined to maximise the company's considerable potential. He intends to appoint a young (probably late twenties) management accountant to bring direction, clarity and bite to the embryonic finance function. The successful candidate will be responsible to the M.D. for all financial and management accounts & for cashflow control, and will be involved in the introduction of new computer systems. The production process is a fascinating mix of conventional light engineering and old fashioned crafts; a professional approach to costing will pay immediate dividends and we will be looking for an accountant capable of constructing a costing system from scratch. It's a perfect career opportunity for a CIMA with relevant experience, a sharp mind and genuine commercial flair. Please send full career details, quoting reference WE 9113, to Terry Ward, Ward Executive Limited, Academy House, 26-28 Sackville Street, London W1X 2QL. Tel: 01-439 4581.

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*Executive Search & Selection*

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**Recently Qualified Accountant**

# FINANCIAL CONTROLLER

**S. Home Counties** **up to £30,000 + Car** **Age: Mid 20's**

Part of a major £multi-million British blue-chip manufacturing group, our client is a recently established estate management and property development company. Already a major contributor to Group profits, they are responsible for a large UK property portfolio and are increasingly involved in the extensive international holdings.

As a result, they seek a Financial Controller to join the management team, and play an important part in formulating long-term strategy geared to ensuring the company's continued growth. Working closely with the Group finance function and senior operational management, you will become involved in all aspects of:

- ☐ Financial Appraisals
- ☐ Profit Planning
- ☐ Property Transactions
- ☐ Taxation

We seek a commercially-aware, qualified accountant with an outstanding academic background and the ability to gain respect at senior level. Although previous experience of property valuations and disposals would be an advantage, more important is your desire to meet the challenges of a fast track career which will naturally lead to Financial Director status.

Further benefits include, pension, life assurance and private health schemes, and relocation assistance to the Southern Home Counties where appropriate.

Interested applicants should contact Simon Hewitt, quoting ref: A313, at Mervyn Hughes International Limited, Management Recruitment Consultants, 63 Mansell Street, London E1 8AN. Telephone: 01-488 4114.

MERVYN HUGHES

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# Commercial Manager

## Are Your Prospects As High As Your Achievements?

**LUTON**

**£22 - £25K**

**+ CAR**

Whitbread is committed to meeting the demands of today's customers for comfort, hospitality, service, excellent food and drink combined with good management. Henry's Café Bars are at the forefront of Whitbread investment plans. As a result we are rapidly expanding a number of operations and now require a *Commercial Manager*.

Working on the principle that nothing succeeds like success, your brief will be to take overall financial control with a view to still further enhancing profitability. In addition to monitoring existing outlets, you will be investigating the viability of proposed new developments. It's essentially a high profile role demanding a combination of broad based commercial and analytical skills with a positive and persuasive personality. You'll be liaising at the most senior level with management teams throughout the country, and a good deal of travelling is inevitable.

A professional Accountant with at least one year's post qualification experience, you should be familiar with large scale computerised systems - particularly LOTUS 1.2.3. A background in retailing would be ideal, and you'll be articulate, enthusiastic and capable of relating well with a confident and dynamic young team.

High achievers are guaranteed real scope for career development, and immediate rewards include an attractive salary along with a full range of major company benefits.

For an application form please telephone Sonia Marsh, on Luton (0582) 420078 quoting ref: 15/0092. Whitbread Inns, Park Square Chambers, 14 Park Street, Luton, Beds LU1 3EP.

HENRY'S Café Bar

WHITBREAD INNS

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# Financial Director

**Engineering/Manufacturing**

**Kent c£30,000 + bonus, car, etc.**

A rapidly expanding and highly acquisitive medium-sized group, our client is planning to diversify its range of engineering and manufacturing activities.

This is a new post. The financial director will lead acquisition negotiations, integrate new companies into the Group and then manage the finance side on a continual basis. There will also be a line management finance function in connection with existing companies.

Applicants will be qualified accountants aged around 30. Experience will have been gained in profitable medium-sized companies in engineering or manufacturing. Also, experience of working on a variety of ad-hoc projects with a high level of commercial exposure will be a distinct advantage.

Prospects are excellent within this ambitious group.

Please send your curriculum vitae, including current salary and daytime telephone number, quoting reference B2049 to Michael Ping, Grant Thornton Management Consultants Limited, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

**Grant Thornton**
MANAGEMENT CONSULTANTS
The UK member firm of Grant Thornton International

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# Personal Tax and Financial Planning

**'Big 8'** **c£30,000 + Car + Benefits**
**Midlands** **Partnership Prospects**

The growth and development of consultancy services by this 'Big 8' firm of Chartered Accountants and Management Consultants is exemplified nowhere better than in their tax services. As market leaders, the firm is committed to providing the very best in personal tax and financial advice; offering innovative and astute plans for impressive tax and personal financial planning.

With an established technical expertise in personal tax and advisory services, the firm wishes to appoint a Senior Executive to maintain effective and efficient control over existing resources and introduce novel and creative ideas for developing the range of services still further. Emphasis will be placed on raising awareness of the firm's tax and financial planning expertise amongst both existing and potential clients and, as such, represents excellent business development experience.

Although a formal accounting qualification is not essential, man management skills and a depth of experience in personal tax and related financial planning opportunities are pre-requisites. The successful candidate will be expected to reach partner status within the short to medium term.

If you are interested in this opportunity please contact Rod Bateman ACA on (0602) 483480 or write to him at Michael Page Taxation, Imperial Building, Victoria Street, Nottingham NG1 2EX.

MP

**Michael Page Taxation**
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

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## Designer Clothing Group

# Financial Controller

**Amsterdam** **Excellent Package**

Our client, a leading international fashion company with operations and interests throughout Europe, the US and the Far East, is currently seeking one outward-going young financial controller for their rapidly expanding operations in the Netherlands.

Reporting to the European Chief Financial Officer, the successful candidate will be responsible for the overall financial control, EDP and treasury functions for one of the Group's marketing operations in Amsterdam.

The candidate, ideally a qualified chartered accountant, should have at least 2 years experience with an international FMCP Group. Aged 28-40 you should demonstrate an active and creative mind along with excellent communications skills (a knowledge of Dutch or Hindi would be a distinct advantage) in order to operate in this environment.

For the successful candidate an excellent remuneration package is offered. If interested please write enclosing full CV to

Arthur Young Nederland
Van Boshuizenstraat 12
1083 BA Amsterdam
Netherlands

Initial Interviews will be conducted in London
Permission to work in the EEC essential

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# F & A MANAGER

**CIRCA £30,000 PLUS CAR**
**INTERNATIONAL ENTERTAINMENT**

Our client has a vacancy for a Finance Manager to assist in the management of major territories within its worldwide operating network. The Company is a leader in the world of entertainment with an annual turnover in excess of $900 million and is based in London's West End.

The Finance Manager will share responsibility for the planning and co-ordination of annual budgets of regional operations and will be expected to provide detailed financial information to senior management in addition to completing ad hoc projects. The maintenance of computerised management information systems and DTP facilities also fall within the scope of this role.

Candidates should be qualified accountants, preferably with music industry experience and be computer literate.

The rewards are an attractive salary, full expensed car, medical insurance and company pension scheme.

**Applications should be addressed to Lorraine Lee, MHG Recruitment Advertising, 50 Berwick Street, London W1V 3RA. Please include daytime telephone number.**

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RECRUITMENT ADVERTISING

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## Financial Director Designate

Quoted Group in Cardiff requires an experienced Chartered Accountant who, within a short time, will prove himself suitable for appointment as Financial Director. This will involve responsibility for all financial and accounting functions including systems implementation. The Company is expanding rapidly and needs someone of knowledge, initiative and ability to assist its future growth.

*Please reply fully to Box A1264, Financial Times, One Southwark Bridge, London SE1 9HL*

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# AMBITIOUS ACCOUNTANTS AND IT PROFESSIONALS

**£25,000-£33,000 + Car**
**LONDON**

Building on its outstanding profit performance, Guinness is committed to fulfilling its role as a world leader using premium brand names from its international beverage portfolio, which includes Johnnie Walker, Gordon's Gin, Bells Whisky and the renowned Guinness beer. The Group's interests also include the prestigious Gleneagles Hotels and Champney's Groups.

In 1988 a new department was formed to advise on effective systems of operational and financial control within the group, and to give support to important acquisition, divestment and joint venture activities. Though predominantly UK based, the nature of the work is global and short term assignments arise in the USA, Australasia and the Far East.

The department now seeks additional graduate accountants or IT specialists who have the ambition and motivation to succeed in a highly professional and progressive group. Team members are highly visible within the company and can expect early promotion opportunities. For successful applicants the rewards are high – an excellent negotiable earnings package supplemented by very competitive company car, pension scheme, BUPA and holiday arrangements – and further enhanced by profit share and sharesave schemes.

If you would like further information on these opportunities offered by Guinness please call Darrell Smith on 01-387 5400 (day) 0727 42296 (eves/weekends) or send a copy of your Curriculum Vitae to Financial Selection Services, Drayton House, 30 Gordon Street, Bloomsbury, London WC1H 0AN.

GUINNESS PLC

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# Head of Consultancy Services

**c£40K (including bonus)** **Bristol**
**+ prestigious 2 litre car**

- **Demonstrate your success and earn significant personal rewards**
- ***Use your innovative and influencing skills to expand the consultancy business***
- **Enjoy the intellectual stimulation of leading and developing a high calibre team**

Our client is a market leading software company committed to excellence in the provision of applications systems. They are a marketing and sales driven organisation with over 4,000 systems installed throughout the world. *Growth in* each of the last 2 years has exceeded 30% and further expansion is planned.

The consultancy arm of the business has been highlighted as one of their major growth areas over the next 2 years and they are *looking to invest in a Head* of Consultancy Services with the ambition, drive and vision to enable them to achieve their objectives. You will be afforded considerable freedom to take new initiatives and will quickly make an impact as an expert in the consultancy field through using your skills to identify and exploit opportunities for increasing the revenue yet providing a service of the highest quality. You will be expected to maintain a high profile both with existing and potential clients, normally the top *management of major organisations*, and within the company by liaising closely with sales and marketing specialists.

As a graduate who probably also possesses an accountancy qualification or an MBA you are likely to have a systems background and at some stage of your career have worked for one of the big 8 Accountancy firms. You will also have a minimum of 2 years experience in a substantial consulting environment where *you have been required to gain the confidence* of Senior Management and build a portfolio of clients. Highly developed interpersonal skills are of prime importance together with a track record of achievement in leading a team of highly motivated, bright consultants. Age guide 28–35.

For further information and a personal history form write or telephone (24 hours) quoting reference 2349/FT.

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Recruitment and Organisation Consultants
43 QUEEN SQUARE, BRISTOL BS1 4QR. TEL. (0272) 215275

FINANCIAL TIMES
# COMPANIES & MARKETS
Thursday June 22 1989



## INSIDE

### US computer groups band against Japan

US semiconductor and computer companies have agreed to co-invest in a large-scale memory chip manufacturing collective aimed at reducing US dependency on Japanese chip suppliers. The plan represents a radical departure for the US electronics industry which may require significant changes in US anti-trust legislation to allow collaboration in manufacturing. Page 23

### A force to be reckoned with

Mr Yoshitsugu Hirayama (left) is typical of the new breed of wealthy individual investors in Japan. A self-made businessman in the property sector, he discusses his stock market investments with the enthusiasm of a horse-racing fanatic. He and thousands of other small investors, from billionaire entrepreneurs to thrifty office workers, have made the Japanese market less predictable and more exciting, and they have become a force to be reckoned with, writes Michiyo Nakamoto. Page 44

### Airline crosses party lines

In many ways it is an unlikely story; a wholly state-owned corporation which consistently makes a handsome profit on a continent plagued by uneconomic state intervention and inefficiency. But Ethiopian Airlines is exceptional not just because it is the most profitable and promising airline in Africa. It is also an aggressive company run exclusively by Ethiopians on strict capitalist lines within the ambit of one of the world's most rigid, centrally-planned Marxist economies. Julian Ozanne reports. Page 22

### Big players move in

The market in which West Germany's Bausparkassen operate is not a glamorous one; it is known for being solid and dependable rather than exciting. Yet the business of offering fixed savings contracts against the prospect of home loans later is attracting the interest of big players like Deutsche Bank and Commerzbank. Haig Simonian explains why. Page 26

### Profiting from continental taste

*Until the late 1970s, the land farmed by Kent* Salads was cultivated along traditional lines. Now, however, the sheep, cereals and conventional vegetables have been replaced by such exotic produce as lollo lettuce, frisee and radichio. Bridget Bloom reports on how the company *has turned to the pre-packed*, continental-type salads market in an effort to cope with the recent downturn in EC farming. Page 32

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### Chief price changes yesterday

**FRANKFURT (DM)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Daimler-Benz | 725 | + | 24 |
| Goldschmidt | 427.3 | + | 14.8 |
| Rosenthal | 331 | + | 16 |
| Vaan-West | 435 | + | 13 |
| **Falls** | | | |
| Aachener Muench | 775 | − | 15 |
| Holzmann (P) | 985 | − | 40 |

**NEW YORK ($)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| AMR | 54⅞ | + | 1¼ |
| Delta | 70⅝ | + | 2⅛ |
| Measurex | 28 | + | 1¼ |
| **Falls** | | | |
| Cordis | 13½ | − | 2⅛ |
| Ford | 48⅝ | − | ½ |
| Schwitzer | 10⅞ | − | 1⅝ |

**PARIS (FFr)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Epeda-Bertrand | 1490 | + | 90 |
| Industriela | 5600 | + | 170 |
| **Falls** | | | |
| Alcatel | 3082 | − | 58 |
| Docks De France | 3560 | − | 85 |
| Orsan | 440 | − | 16 |
| Printemps Au | 701 | − | 23 |

**TOKYO (Yen)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| France Bed | 1310 | + | 130 |
| Kokuyo | 3550 | + | 300 |
| Nippon Type | 1530 | + | 200 |
| Nisshin Kisen | 2570 | + | 430 |
| Shibaura Eng | 1170 | + | 140 |
| **Falls** | | | |
| Futaba Ind | 2000 | − | 120 |

New York prices at 12.30

**LONDON (Pence)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| BAT Inds | 669 | + | 10 |
| Body Shop | 723 | + | 20 |
| Cadburys | 366 | + | 9 |
| Carlton Comms | 849 | + | 20 |
| Christie Int | 290 | + | 45 |
| GKN | 408 | + | 12 |
| GUS 'A' | 1650 | + | 12 |
| Grand Met | 550 | + | 11 |
| Hawker Sidd | 711 | + | 16 |
| Isotron | 258 | + | 22 |
| Mountview | 1345 | + | 50 |
| Nina Foods | 323 | + | 7 |
| Pearson | 724 | + | 10 |
| Racal Tele | 474 | + | 4 |
| Refuge Grp | 483 | + | 9 |
| Rothmans | 545 | + | 7 |
| Smith (David S) | 335 | + | 11 |
| **Falls** | | | |
| Bremner | 93 | − | 10 |

# Suchard lets foreigners own registered shares

By John Wicks in Zurich

JACOBS SUCHARD, the Swiss-based coffee and chocolate concern, is to allow foreigners to own its registered shares.

This is the first such move by a leading Swiss company since Nestlé, Suchard's rival, announced a similar step last November.

Zurich Insurance stated last month that it would open the register to foreigners, but this was only in connection with conversion rights from a pending warrant-bond issue.

Swiss registered shares have generally been restricted to Swiss ownership, while bearer shares and participation certificates are open to all. This restriction has been considered a weapon for Swiss companies to maintain their independence and fend off takeover threats. But it has been heavily criticised abroad because, while Swiss companies can acquire foreign concerns, foreign investors are prevented from taking over Swiss businesses.

Effective control of Suchard is in the hands of its chairman, Mr Klaus Jacobs, who holds some 55 per cent of voting rights. This may calm such takeover fears, *although he holds only about 25* per cent of the actual capital. The remainder, including a minority of the registered-share capital of 1,066m shares of SFr100 nominal value, is listed on Swiss and German *stock exchanges*.

The announcement was made after Suchard registered shares closed at SFr1,515, up from SFr1,430. Bearer shares had closed SFr115 lower at SFr7,210, but in after-hours trading rose to SFr7,400 before falling back to SFr7,200.

A company spokesman said it *would be up to the company's* board to approve each foreign application for entry into the company register – the official recognition of ownership.

The Jacobs Suchard board says *it expects to repeat 1988 profits* this year. Group earnings were up 29.5 per cent to SFr343m ($201m) last year – excluding all but a small part of the SFr457.7m windfall profit from the sale of Rowntree shares to Nestlé – after a 4.6 per cent rise in sales to SFr6.38bn.

Explaining its "mostly positive outlook for 1989," the board said that sales volumes and earnings in the coffee and chocolate sectors in Europe and the Far East were proceeding satisfactorily.

On the other hand, progress in *so-called sugar confectionery on* the US subsidiary Brach is said to be lower than expected. Also, restructuring costs for Brach – which the Swiss group bought in 1987 – are higher than anticipated, it is stated. However, Brach is seen as likely to show "sharply improved performance in 1990."

According to Mr Walter Anderan, a company spokesman, Jacobs Suchard has decided to open its ledger to foreigners because it thinks that an international corporation should make all its stock categories open to foreign ownership.

Klaus Jacobs: his 55% of voting rights may calm bid fears

# Osborne pays £2.7m for un peu BCBG

Alice Rawsthorn in London

OSBORNE & Little made its name as the Sloane Rangers' favourite source of fabrics and furnishings in London. Now it is turning its attention to the bon chic bon genre crowd in Paris by buying Fardis, a French furnishings firm.

*Osborne has agreed to pay up* to FFr28.1m ($4.1m) for Fardis which sells the same sort of expensive curtains, cushions and wallcoverings as its new British owner.

*Osborne began life in the* swinging London of the 1960s when it started as a small shop selling wallpaper in Knightsbridge, just along the road from the Harrods department store.

*Its designs, inspired by Wil*liam Morris and the artisan designers of 19th century Britain, were soon seen on the walls of the best British houses.

By the time Osborne went public in 1985, it had added furnishing fabrics, curtains and cushions to its wallpapers range. It had also crossed the Atlantic to sell its old world style to the preppies and WASPs of the US.

Osborne now has shops and showrooms across Europe and North America.

Yesterday it announced a 15 per cent increase in profits before tax and extraordinary items to £2.33m for the year to March 31.

Earnings per share rose to 20.88p (18.39p). The board proposes a final dividend of 3.8p thereby raising the total to 5.8p (5p).

The company suffered from sluggish sales in London, where even the wealthiest home owners have been hit by the recent increases in interest rates. But it benefited from buoyant demand overseas – especially in West Germany, Austria and the US – and sales rose to £12.11m (£10.67m) during the year.

The increasingly competitive state of the London market has encouraged Osborne to accelerate its international expansion. Yesterday it announced the appointment of Mr Michael Wynter, formerly the marketing director of Sanderson, one of its competitors, as managing director.

Osborne is now in the throes of reorganising its European distribution. It already controls distribution in West Germany and *France and intends to do so in* other countries.

The acquisition of Fardis forms part of this strategy. Once it is completed, France should supplant the US as Osborne's *largest overseas market: provid*ing it can repeat its success at furnishing the best British bathrooms in the finest French boudoirs.

# Paramount files fresh lawsuit in battle over Time

By Anatole Kaletsky in New York

PARAMOUNT Communications yesterday filed a new lawsuit in its attempt to stop Time Inc from going ahead with its agreed $14bn acquisition of Warner Communications.

*The suit, which amends a pre*vious complaint presented by Paramount earlier this month, will be argued on July 11 in the Delaware Chancery Court, in a hearing that could prove decisive *for the outcome of one of the* biggest and most complex takeover battles ever seen on Wall Street.

Paramount's new suit asserts that Time's board was in breach of its fiduciary obligations when it "unreasonably" refused to negotiate on the $11bn all-cash takeover bid for the company presented earlier this month by Paramount, and calls for the court to invalidate the Time directors' election scheduled to take place at the company's annual meeting on June 30.

Among the four Time directors due for re-election at that meeting are Mr Richard Munro, chairman, and Mr Nicholas Nicholas, president.

In the revised lawsuit, Paramount also repeats its earlier claim that Time effectively put itself up for sale when it entered a stock-swap agreement with Warner that would have given Warner shareholders 60 per cent control over the merged group.

Time's subsequent revision of that agreement to a $70-a-share cash bid for 51 per cent of Warner was simply a device to prevent Time shareholders from choosing freely between the proposed mergers with Warner and Paramount.

Time directors were making "no effort to improve shareholder values". The board's recent actions suggested that "its sole purpose is to deprive shareholders of the opportunity to consider the plaintiff's offer," the Paramount suit says.

Time simply said of the suit that it was "without merit."

Arbitrageurs on Wall Street remained sceptical about Paramount's chances of blocking the Time-Warner deal. While Time's shares rose $3 to $155⅜, they still stood well below Paramount's offer price of $175 a share.

# Chile to sell majority stake in state airline

By Barbara Durr in Santiago

THE CHILEAN Government is inviting offers for a majority stake in LanChile, the country's national airline.

Last year, an auction of 32.7 per cent of the airline drew international interest but failed to end in a sale.

Officials of Corfo, the Government's holding company, say this was largely because only a minority stake was offered then.

Eight bidders including Air New Zealand and Alitalia have qualified to make offers for the 51 per cent now to be sold.

The others are Evergreen International Aviation of the US; International Capital Corporation, a subsidiary of the American Express Bank; Icarosan, a Chilean investment company *half* owned by the consortium bank Banco Europo para America Latina; Compania Sudamericana de Vapores, the Chilean shipping company; Forestal Quinenco, the *Chilean forest products company*; and Inversiones Civiles Pacifico Sur, the investment company of LanChile's own workers.

The sale continues to be controversial. The opposition has promised to reverse any privatisation made after last October's plebiscite.

One opposition party has urged the air force to object to the privatisation on national security grounds.

An anti-privatisation group also warned that rights to air routes could be lost if LanChile is taken over by a foreign investor.

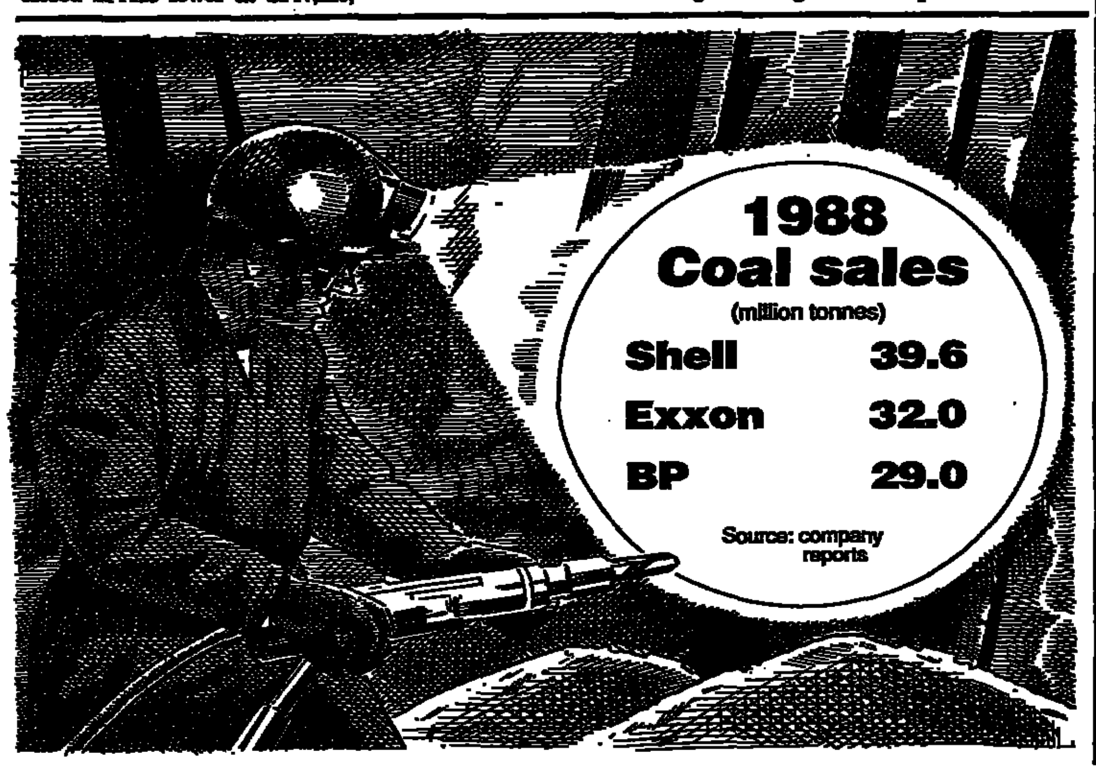
LanChile had a net income last year of $4.8m on revenues of $183m, its third straight profitable year. Corfo set the reference price for 51 per cent of the shares at $25.1m.

The airline is owned 83.7 per cent by Corfo, 15 per cent by its own workers and 1.3 per cent by Compania Acero del Pacifico, the recently privatised Chilean steel company.

Offers are due by July 28 and Corfo will have 30 days to make their decision.

The shares must be held by their purchaser for at least one year.

The Chase Manhattan Bank is acting as Corfo's financial adviser for the sale.




# Old King Coal faces up to the new reality

**Maurice Samuelson** on what BP's withdrawal means to the industry

On the day British Petroleum announced it planned to sell most of its coal interests, the world oil industry was subjected to a fierce attack for having entered the coal business in the first place.

*At an international coal confer*ence in Colombia last week, Mr Malcolm Edwards, commercial director of British Coal, blamed oil companies for causing havoc in the market through "impru*dent over-investment*" in coal after the oil crisis of 1973.

"They moved into coal just as robustly as they moved into heavy chemicals in the 1960s and with even more disastrous results," said Mr Edwards. "Too large, too fast, too grand to listen, far too optimistic about the response of the market, all those overweight cuckoos crowded into a very small nest . . .

"When it became clear that the market for traded coal was not going to expand to order, the reaction of oil companies was what came naturally to them – to rely on their great cash flows *to price down hard to* drive out the competition.

"Coal prices became disengaged from every other fossil fuel price but all the resulting price war did was to drive out other coal producers."

BP strongly denies having "fallen out" of the coal nest and hardly appreciates lectures about profitability from a loss-making state-owned corporation whose own investment decisions are not always infallible.

Moreover, BP Coal is back in profit after a year in which most producers lost money. It is one of a *series of non-core BP assets* being sold to lower the group's debt-equity ratio.

Nor are there signs of oil companies preparing to quit coal en masse. Shell Coal International, the biggest coal producer among the oil companies, which claimed a profit on coal of £40m ($60m) last year, seems set to stay.

It should also be stressed that the oversupply threat applies only to the international market for steam coal for power stations. *(About 145m tonnes of steam coal* a year are traded internationally, compared with about 3bn tonnes a year consumed in the countries where it is produced.)

There is no such threat to the *market* for the coking coal used by the steel industry, a more specialised product where supply and demand are more finely balanced.

Nevertheless, BP's exit from most of its coal interests is at least a tacit acceptance of British Coal's claim that in the long term, the world market is likely to be uncomfortably oversupplied.

Despite the retention of some coal interests in Indonesia and Canada for local reasons, the move shows that BP now regards coal as just another commodity rather than an alternative source *of energy in which it should be* involved for strategic reasons.

Above all, it symbolises the new realism about coal compared with the mid-1970s, when it was euphorically hailed as the "fuel of the future" and the saviour of the West from overdependence on oil for use in power stations.

The difficulties, like the sources of the coal, are many and varied. The most blatant are the political complications involved in South Africa, whose coal exports face increasing hostility *in their natural market*, western Europe. (Because its coal assets include some in South Africa, BP may not be able, as it would like, to find a single buyer for them.)

But there have also been labour troubles in *Australia*, while in China, Occidental Oil, the *chief* western investor in local coal, has to cope with political unrest. As a 25 per cent partner in the An Tao Bai opencast project, it cannot be indifferent to the transportation problems *which hamper China's ambitions* to become a big coal exporter.

Colombia, where Mr Edwards of British Coal delivered his rebuke to oil companies last week, contains the steam coal *market's biggest single source of* potential oversupply.

This is the $2.8bn El Cerrejon complex, where Exxon is a partner with the Government in a project intended to produce 15m tonnes a year for export. But the slow pace of development is said to be delaying an adequate pay-back on the high capital costs.

*Besides the local difficulties*, the international coal market is also acutely sensitive to the volatility of the oil prices. The 1986 oil price collapse caused most coal exporters to suffer losses. With *hardening* prices, these have since been reversed but, despite a cautious forecast of rising demand from power stations, vulnerability remains.

There is also increasing sensitivity to environmental trends. This coincides with a growing challenge from natural gas in power stations. In western Europe, it is suggested that gas could capture all the expected growth between now and 2000 in fossil fuel burnt by power stations – a total of 40m tonnes of coal equivalent.

The only coal markets which *appear to be safe for* investors are those protected by politics, geography or long-term contracts.

BP's move may be an act of long-term prudence as well as *short-term* gain.

## INTERNATIONAL COMPANIES AND FINANCE

# Flying in the face of Marxist dogma

**Julian Ozanne on the success of Ethiopian Airlines, most profitable airline in Africa**

Surrounded by old engines, hydraulic systems and circuit boards in a huge hangar, trainee mechanics from Libya and Lesotho, dressed in oil-stained overalls, bend over the frame of an old DC-3, hammering, welding and drilling.

In the distance, graduate Ethiopian technicians put the finishing touches to a brightly painted red and orange Angolan Airlines Boeing 707 sent to Addis Ababa for an overhaul.

Training pilots and mechanics from across the continent and servicing aircraft from Nigeria to Zimbabwe are just one part of the operations of Ethiopian Airlines that have made the company the most profitable and promising airline in Africa.

In many ways it is an unlikely story. A wholly state-owned corporation which consistently makes a handsome profit on a continent plagued by uneconomic state intervention and inefficiency, a streamlined parastatal run by a world-class management and a motivated workforce bent on rapid expansion in a market infamous for chaotic schedules and decrepit facilities.

But what makes it even more unlikely is that Ethiopian Airlines is an aggressive company run exclusively by Ethiopians on strict capitalist lines within the ambit of one of the world's most rigid, centrally planned, Marxist economies.

The airline's managers estimate that this financial year (July 88 to June 89) the company will make a net profit of $24m, on revenues of approximately $240m – marking a significant advance over the previous year's profits of $8.5m.

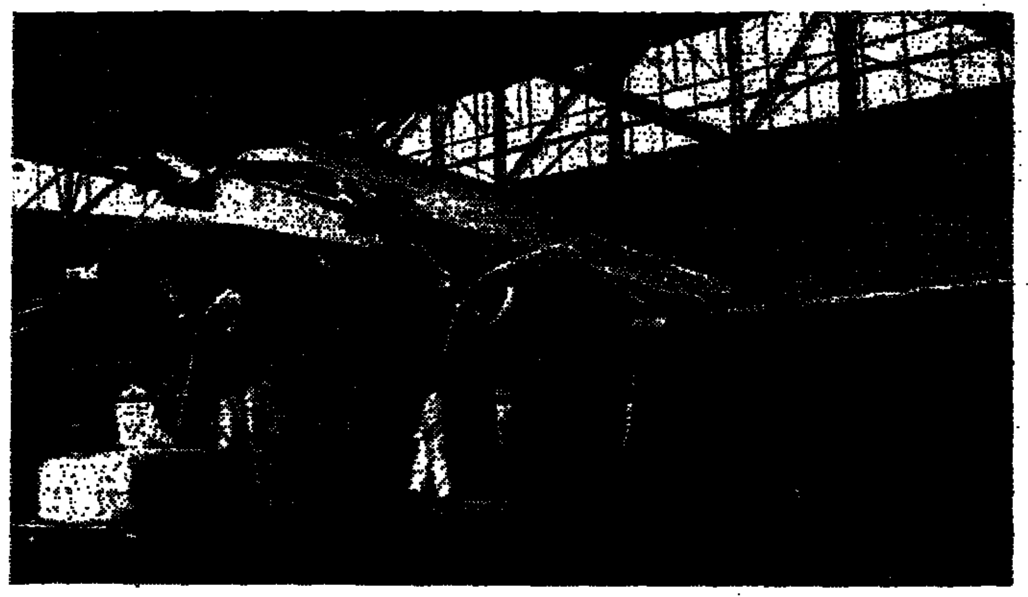
Ethiopia's Marxist rulers allow the company to retain most of these profits for reinvestment. The Government also allows it to keep a substantial part of its revenues in foreign currency in offshore bank accounts to service its loans and purchase spare parts. All Ethiopian Airlines is expected to pay the Government is a dividend on equity, a 5 per cent capital charge, but no profit tax.

"Even though we work inside a Marxist state, the airline has been given a free hand to operate efficiently and effectively on its own without any interference," said Mr Wolde Gabriel Tsehay, deputy general manager in charge of marketing. "Ethiopian Airlines is basically the same as any other company in a capitalist state. Government intervention is limited to supervision only."

Over the next 10 years, the airline plans to spend $1.2bn on new plant and aircraft. This month it officially announced a $387m deal to buy six Boeing 757s with Pratt and Whitney engines over four years as the first leg of this investment programme which, by 1990, will be purchasing two planes a year.

Big commercial banks like Chase Manhattan, Irving Trust and Citibank fall over each other to finance Ethiopian Airlines deals because the company has a triple-A credit rating in the international financial community.

"As soon as the rumours were out that were going to buy more aircraft this year banks were calling us up from America making us offers before we had the chance to call them," said Mr Abate Sertse Wold, of the airline's financial division.



Trainee mechanics from other African countries working on an Ethiopian Airlines DC3

Ethiopian Airlines' long history of buying its aircraft and engines from the US has made Ethiopia, which, with an annual per capita income of $120, is the poorest country in the world, the second largest export market in Africa for American goods.

Started in 1946 by Trans World Airlines, since 1971 the company has grown without foreign expertise and resources. During the last 18 years it has undertaken its most ambitious expansion which, in 1986, culminated in the launch of a manufacturing operation to produce a turbo-engined crop duster known as an Ag-Cat and used mostly for controlling Africa's locust plague. So far the company has only been able to produce for domestic demand, but it hopes soon to export the Ag-Cat across the continent.

Ethiopian Airlines has also made a successful bid to become the continent's best servicing and maintenance centre, with comprehensive aircraft and engine overhaul facilities certified by the US Federal Aviation Administration and the British Civil Aviation Authority. Contracts have been negotiated with Zambian Airways, Angolan Airlines, Sudan Airways and Uganda Airlines, but the company has also carried out work for such prestigious carriers as Lufthansa and British Midland. It also provides a mobile repair team of highly skilled engineers and technicians to conduct on-site maintenance outside Ethiopia.

While these ancillary services provide only 9 per cent of Ethiopian Airlines' annual revenue, the company sees them as an integral part of its long-term plan to become "the African carrier."

This month, under the motto "For Us Africa is the First World," Ethiopian Airlines added Mogadishu, the Somali capital, bringing its Africa destinations to a total of 29. Seychelles, Botswana and Namibia are to be added soon. The airline continues to be the sole operator flying daily across the continent.

Most of these routes are unprofitable and have to be subsidised by intercontinental flights, but the company sees long-term benefits from its Africa service.

"Most airlines are discouraged by the lack of an immediate return and the problems of operating in Africa. But we believe in investing for the future," said Mr Wolde. "The long-term potential in the African market is very big."

Last year Ethiopian, with its expanded route network, boosted its total number of passengers to 583,000 and it expects a further growth rate of between 15 and 20 per cent this year.

A vital part of the airline's success lies in the dedication of its 3,500 well-trained staff. While the wage guidelines set by the state are not high, such perks as transport and free medical services are key incentives. Notice boards along the corridors of Ethiopian's head offices are packed with the company's latest performance indicators and internal job offers.

"There is a culture of dedication and identification here at Ethiopian Airlines. People are promoted on merit without nepotism and there is a continuity in management. That has made us unique within Ethiopia and Africa," said Mr Wolde. "You can't run a company successfully in a competitive market when the Government is constantly interfering and appointing new executives with no experience of the aviation industry."

## Rand London back to profit after reshape

**By Jim Jones in Johannesburg**

RAND LONDON, the South African coal group controlled by NSM of the UK, lifted sales in the year to March 31 and returned to profit, after a compromise with creditors and a financial restructuring.

Turnover increased to R61.8m ($22.2m) in the year to March 31 from the previous year's R46.2m, the operating profit before interest and tax was R3.6m, against a loss of R7.7m, and the pre-tax profit was R2.3m, against the previous year's deficit of R10.8m.

Mr John Hall, the chairman, says turnover rose with higher sales tonnages, better export prices and favourable exchange rate shifts.

Earnings were 1.77 cents a share against a loss of 13.58 cents and a dividend has not been declared.

## Amatil lifts earnings by 13% at six-month stage

**By Bruce Jacques in Sydney**

AMATIL, THE diversified Australian consumer products group about to sell its tobacco operations to its main shareholder, BAT Industries of Britain, has reported a modest earnings increase for the half-year to April.

The company lifted after-tax profit by 13.4 per cent to A$48.33m (US$36.6m) in what will be the last result before its tobacco operations are sold to a newly-formed W.D. & H.O. Wills, in which BAT will be the main shareholder.

Amatil's sales rose 16.1 per cent to A$1.27m, but the result was held back by a doubling in the company's interest bill to A$26.6m and a depreciation rise from A$20.9m to A$31.1m. The result excluded extraordinary losses of A$3.5m against a A$25.6m surplus previously.

Directors said the tobacco, beverage and snack foods divisions all recorded sales and profit gains, with the latter substantially increasing its market share.

"While overseas operations saw strong growth, results were partially eroded by the strength of the Australian dollar," they said. "Results in the communication and packaging division were affected by the sale of non-core activities and lower sales volumes."

The company has not declared a dividend because it proposes to make a special payout as part of the BAT deal. This involves the UK company selling its 41 per cent interest in Amatil to Coca-Cola of the US for about A$600m, in return for a 51 per cent stake in the Australian company's tobacco division.

Amatil will receive about A$350m for selling its tobacco division to W.D. & H.O. Wills.



## INTERNATIONAL APPOINTMENTS

# Lafarge Coppée to have chairmanship change

**By George Graham in Paris**

THE chairmanship of Lafarge Coppée, the leading French cement group, will be assumed by Mr Bertrand Collomb from August 1 when he will succeed Mr Olivier Lecerf.

Mr Collomb, an executive vice chairman of the group since January 1, has been groomed to take over from Mr Lecerf for some years. Since joining the group in 1975, he has headed successively its domestic cement activities, its biochemistry subsidiary Orsan, and its US subsidiary Lafarge Corporation.

Mr Lecerf and Mr Jean François, who has been sharing the vice chairmanship with the 46-year-old Mr Collomb, will both retire but remain board members. Mr Lecerf, who will be 60 on August 2, two weeks ago delivered a parting shot with the approximate FFr5bn (£480m) deal that will push Lafarge into second place in the world cement industry, through the acquisition of Cementia in Switzerland and Asland in Spain.

Mr Bernard Kasriel and Mr Jacques Lefevre will remain joint managing directors and board members, while three new joint managing directors will be named: Mr Serge Feneuille, head of the group's research activities; Mr Robert Murdoch, chief executive of Lafarge Corp; and Mr Michel Rose, in charge of the group's biological activities.

★ ★ ★

AHOLD, the largest Dutch food retailer and which has named Mr Pierre Everaert as president, announced that Mr Robert Zwartendijk will succeed Mr Everaert as president and chief executive of the group's Ahold USA arm, one of the top ten US supermarket operators through its BI-LO Stores, Giant Food Stores and First National Supermarkets chains.

Mr Zwartendijk, 49, will assume his new responsibilities on September 1. He is currently executive vice president of Ahold USA. He is also a member of the group's corporate executive board and heads Ahold's food production and institutional activities in The Netherlands, positions he will retain.

Of Ahold's reported 1988 sales of $7.6bn, its activities in the US accounted for $3.5bn.

★ ★ ★

AT Hiram Walker-Allied Vintners, a leading worldwide wines and spirits business and one of the main divisions of the UK-based Allied-Lyons food and drinks group, Mr John Giffen has been appointed managing director.

Mr Giffen, 50, has also been named president of the Hiram Walker-Gooderham & Worts Canadian-based arm. He was elected to the board of Allied-Lyons last year.

Succeeding Mr Giffen in his former post as chairman of Hiram Walker-Allied Vintners (Canada) is Mr James Murphy, who now has responsibility for both the US and Canadian markets.

★ ★ ★

THE VANCOUVER Stock Exchange elected as chairman for the 1989-90 fiscal year Mr Martin Reynolds, a vice president of Nesbitt Thomson Deacon, a prominent Canadian securities dealing firm owned by the Bank of Montreal.

★ ★ ★

KRAFT General Foods Europe, the operating company formed following the acquisition of the Chicago-based Kraft processed foods concern by Philip Morris, the US tobacco, food and drinks group, has named Mr John Plackett president.

# US groups agree to set up chip collective

By Louise Kehoe in San Francisco

US SEMICONDUCTOR and computer companies have agreed to co-invest in a large scale memory chip manufacturing collective aimed at reducing US dependency on Japanese chip suppliers.

The plan, which has been under discussion for several months, represents a radical departure for the US electronics industry which may require significant changes in US antitrust legislation to allow collaboration in manufacturing.

International Business Machines, Digital Equipment and Hewlett-Packard, three of the largest US computer manufacturers, together with Intel, National Semiconductor, Advanced Micro Devices and LSI Logic, leading US chip makers, will jointly fund the establishment of US Memories Inc. and have stated their willingness to invest in the collective "if specific conditions are met in the next several months."

These conditions are understood to include investment commitments from several other computer and chip makers as well as antitrust approval. The industry group is confident, however, that it will win the financial and legislative support that it needs.

Total funding required to establish the venture is expected to be in the region of $500m.

US Memories will obtain its memory chip design and processing technology from IBM, which has agreed to license its 4 Megabit Dynamic Random Access Memory (Dram) technology to the new venture.

The industry group has hired Mr Sanford Kane, formerly vice president of IBM's General Technology division, as president of US Memories. Mr Wilfred Corrigan, chairman and chief executive of LSI Logic, will serve as chairman of the new memory chip manufacturing collective.

"The time is right for a collective memory manufacturing venture in the US to improve America's market position in what is truly a critical technology," said Mr Kane.

Currently about 80 per cent of the world's Dram supplies are produced in Japan. Most US chip makers dropped out of the Dram market in the mid-1980s in the face of fierce competition from Japan.

**"The time is right for a collective memory manufacturing venture in the US to improve America's market position in what is truly a critical technology": Sanford Kane.**

In 1986 the US International Trade Commission ruled that Japanese Dram manufacturers had illegally "dumped" Drams in the US. Subsequently, the US and Japanese Governments signed a semiconductor trade agreement that incorporated strict controls on Japanese memory chip prices.

"US Memories represents a viable re-entry vehicle for America to add to its presence in the Dram field," said Mr Corrigan. "By enforcing the antidumping provisions of the trade agreement, the US Government has given the domestic industry the breathing room necessary to address the Dram situation in both an enterprising and creative manner."

The US Memories plan is expected to receive a warm welcome in Washington from the semiconductor industry's broad base of Congressional supporters, as well as from the Defence and Commerce Departments which have long urged the industry to consider re-entry into the $5.6bn Dram market.

"By licensing IBM's advanced memory design, US Memories will have the jump start needed to quickly come on line as a serious player. We will not waste valuable time and spend precious dollars reinventing what already exists," added Mr Gordon Moore, chairman of Intel and chairman of the Semiconductor Industry Association, a trade group representing US chip makers which was instrumental in developing plans for the memory chip collective.

Sematech, the US semiconductor industry research consortium, is expected to work closely with US Memories. "One of the objectives of the semiconductor trade agreement and one of the goals of Sematech is to reinvigorate the entire US semiconductor industry. No segment of that industry has suffered more than the memory business," said Dr Robert Noyce chief executive of Sematech.

The announcement of US Memories represents "another sign of American industry fighting back," said Dr Noyce. "By launching the most ambitious start up in US semiconductor history. America is demonstrating its commitment to leadership in this critical industry."

# Cerus sees fourfold rise in earnings

By Our Financial Staff

CERUS, Mr Carlo De Benedetti's French financial holding company, said yesterday its consolidated net profit for 1989 is expected to be about FFr1.2bn ($178.8m), almost four times the 1988 result of FFr332m.

Mr De Benedetti, chairman, (pictured above) said the estimate includes a contribution of roughly FFr450m from the banking group Dumenil Leblé, with which Cerus plans to merge later this year after absorbing it through a share swap.

Cerus already controls slightly less than 94 per cent of Dumenil after the share swap in which Cerus offered 2.7 Cerus shares for each Dumenil share.

The projected 1989 profit figure also takes into account a non-recurring capital gain of FFr200m from the sale of a 35 per cent stake in the Yves Saint-Laurent fashion house, Mr De Benedetti said. He indicated this would be Cerus' only non-recurring capital gain in 1989.

Mr De Benedetti told the annual shareholders' meeting that the holding company's 1988 profit figure would have been in the region of FFr400m had it not been for a change in accounting methods.

Mr De Benedetti's stake in Cerus will be cut to 41 per cent from a present 54.4 per cent after the issue of 6.75m new shares formally announced yesterday, he said. The stake is held through his Italian holding Compagnie Industriali Riunite (CIR).

The new shares will be issued to reimburse shareholders in Dumenil. They will raise the number of FFr200 nominal Cerus shares in issue to 23.65m.

## COMPANY NEWS IN BRIEF

BAYER, the West German chemicals and pharmaceuticals group, said yesterday that its earnings from domestic sales of drugs would plummet in 1989 and 1990 due to the impact of the nation's health reform programme, AP-DJ reports.

At the general shareholders meeting, Mr Josef Strenger, chairman, said the reform-stipulated reduction in fixed reimbursements to drug manufacturers by insurance companies, effective from January 1, 1989, would take between DM30m and DM60m ($30.4m) out of Bayer's pockets.

Moreover, in 1990 the company is not likely to make any profit on domestic sales of drugs, Mr Strenger said, although he stressed that foreign sales of pharmaceuticals remain "very satisfactory."

● The Commission des Operations de Bourse, the French stock exchange regulatory commission, said it did not intend to take any further action after Compagnie Générale d'Electricité (CGE) and Lafarge Coppée decided to restrict large shareholders' voting rights.

"We consider we have fulfilled our role in alerting shareholders to our reservations," the COB said.

On Tuesday shareholders in CGE approved a resolution to restrict voting rights to 8 per cent per shareholder regardless of the size of his holding. Cement maker Lafarge's shareholders voted the same day to scale down voting rights on stakes over 1 per cent in proportion to the number of shares represented at any vote.

● Philipp Holzmann, the West German builder, said it had been informed that Advanta Management, a small construction planning firm, had built up a 10 per cent stake in the company, Reuter reports.

Holzmann said it did not know if the stake had been acquired on the bourse, or if it came from other big shareholders. Hochtief, which holds a 20 per cent minus one share Holzmann stake, said its holding had not changed.

● Compagnie du Midi, the French insurance group, reported attributable net profit of FFr1.39bn ($207m) in 1988 against FFr1.96bn in 1987, on consolidated turnover of FFr42.5bn against FFr35bn, Reuter reports.

Midi blamed the sharp fall in profits on provisions worth FFr931m to cover the acquisition of brokerage house Meeschaert-Rouselle.

● AEG, the West German electrical group majority owned by Daimler-Benz, said group turnover rose 12 per cent to DM4.4bn and orders rose 19 per cent to DM5.4bn in 1989's first five months compared with the same 1988 period, Mr Heinz Dürr, management board chairman said, Reuter reports.

He told the annual shareholders' meeting he expected sales growth of 10 per cent or more for 1989 and a further improvement in operating profit.

# Sun licenses Taiwanese clones

By Louise Kehoe

SUN MICROSYSTEMS, the US computer workstation company, has licensed two of Taiwan's leading electronics manufacturers to "clone" its technology in the latest of a series of moves by Sun aimed at establishing its computer technology as a new worldwide standard.

Tatung, Taiwan's largest electronics manufacturer, and Datatech Enterprises, a leading electronic circuit board producer, are about to begin volume manufacturing and distribution of low-cost computers compatible with Sun's workstations, Sun announced yesterday.

The Taiwanese companies are expected to launch their products next year, Sun said. Prices of the workstation "clones" are expected to be under $5,000.

The licensing agreements follow a similar deal between Sun and Toshiba of Japan, announced last month in which Sun licensed Toshiba to use its Sparc microprocessor technology, Unix-based system software and Open Look user interface programs.

By licensing other computer manufacturers to use its hardware and system software technology, Sun hopes to encourage applications program publishers to develop programs for its computers.

Critics of the strategy say, however, that Sun may be seeding new competitors for its own products and providing an opportunity for Asian computer manufacturers to establish themselves in a sector of the computer market dominated by US producers.

# IBM upgrade will 'triple speed of its fastest PCs'

By Louise Kehoe

INTERNATIONAL Business Machines plans to offer an upgrade kit that will more than triple the speed of its highest performance personal computers.

The move is seen as a response to growing competition from Compaq Computer, which currently claims to have the highest performance personal computer products.

Based upon Intel Corporation's latest 486 microprocessor, the IBM upgrade kit will snap into IBM's top-of-the-line PS/2 model 70 personal computers, the company said. It will become available in the fourth quarter for $4000.

● The speed of microprocessors will continue to accelerate, Intel executives said yesterday, to approach 100 times current levels by the year 2000.

Intel senior vice president David House said that the semiconductor company was already developing a new generation of microprocessors with four times as many transistors as the latest "486" chip.

# Gerling-Konzern raises premium income 6.6%

By Haig Simonian in Frankfurt

GERLING-Konzern Allgemeine Versicherung, the only quoted part of Gerling, the big West German insurance group which is still in private hands, raised its premium income by 6.6 per cent to DM2.2bn ($1.1bn) last year.

On a fully-consolidated group basis, Gerling's premium income increased by around 14 per cent to DM7.5bn from DM6.6bn in 1987. Primary insurance accounted for the bulk of the sum, with a 14.6 per cent rise in combined life and general insurance premiums to DM4.3bn, while reinsurance premiums went up by just over 10 per cent to DM1.2bn.

Gerling has confirmed that it is to take responsibility for reinsuring the policies to be written by Deutsche Bank Lebensversicherung, the new life insurance company being formed by Germany's biggest bank. The step undoubtedly has strong attractions for both parties. Deutsche Bank's move into life, and possibly later, general, insurance has been strongly opposed by much of the German insurance industry, which has criticised the step as a threat to its traditional business.

By the same token, Gerling, as the only leading insurer still in private hands, may have been more willing to take on the business. The commercial link with Deutsche Bank may indicate its desire to stay independent, particularly after 1992.

# RWE seeks to lift stake in Nukem

RHEINISCH Westfälische Elektrizitätswerk (RWE), the German utility, plans to increase its stake in Nukem, the nuclear and solar energy company, to 55 per cent from 45 per cent, Reuter reports.

RWE said it would purchase the 10 per cent stake in Nukem held by UK conglomerate RTZ's Imperial Smelting subsidiary.

The purchase is subject to the approval of West Germany's Federal Cartel Office, which received an official application on June 19. A decision is expected shortly.

Industry sources said they expected the cartel office to approve the bid as RWE already controls Nukem's industrial management.

Competitive conditions would not change significantly if RWE's share increased.

RWE did not disclose the purchase price.

# Moevenpick increases profits by 21%

By John Wicks in Zurich

MOEVENPICK, the Swiss restaurant and hotel chain, reported a 21 per cent rise in group net profits to SFr18.2m ($10.7m) for the year to March 31 from SFr15m. Turnover rose 11.1 per cent to a record SFr852.9m, against SFr767.5m.

The parent company, Moevenpick Holding, of Adliswil, reported a 16 per cent improvement in net earnings to SFr12m from SFr10.3m and is to pay an unchanged dividend of 20 per cent.

Mrs Jutta Frager, chief executive, expected an average annual growth in turnover of some 10 per cent for the three-year period 1989 to 1991. In the 1989 first half turnover rose 10 per cent to SFr450m.

Moevenpick plans to invest between SFr80m and SFr90m per year during the three-year period. Apart from renovations, this will include the opening of some 13 new restaurants in Switzerland and Germany, as well as five hotels in Germany, three in Switzerland and one each in China and Turkey.

## INTERNATIONAL CAPITAL MARKETS

# Tan Book helps underpin sentiment in Treasuries

By Janet Bush in New York and Andrew Freeman in London

US TREASURY bonds were yesterday quoted virtually unchanged at midsession as the lower dollar was offset by a positive reaction to the US Federal Reserve's Tan Book, which reported that the economy was generally advancing without much inflationary pressure.

### GOVERNMENT BONDS

The long bond was quoted ⅛ point higher to yield 8.27 per cent while short-dated maturities were quoted unchanged to ⅛ point lower.

The Tan Book, a compilation of economic surveys from regional Federal Reserve banks, is important to markets as its findings are used as one guide to setting monetary policy within the Federal Open Market Committee.

The report said that wage and price pressures had not accelerated and that manufacturing growth was levelling off.

The impact of the Tan Book was not dramatic but was encouraging given the disappointment of large gains in both producer and consumer prices in May. Nevertheless, few analysts believe the Fed will move to ease monetary policy again soon, particularly now that the dollar is under pressure.

The US currency was quoted at Y143.85 at midsession, compared with an earlier high of Y145.35, and at DM1.9710 from DM1.9965 earlier. There were reports in the currency market of quiet but persistent dollar selling by the Fed in New York.

Bond traders pointed to yesterday's early price gains in spite of a weaker dollar as evidence that the market's tone remained positive. There have been no key economic indicators this week to focus on until today, when the final revisions for US first-quarter GNP are released, and tomorrow, when figures indicating durable goods orders, personal income and consumption for May are issued.

■ UK GOVERNMENT bonds ended largely unchanged as trading in the London gilt market was again dominated by sterling's mediocre performance against the D-Mark. At one stage the pound fell below DM3.05, resulting in a temporary ¼ point fall in long-dated gilts.

With City dealing desks well staffed in spite of travel difficulties, the lack of business was attributed mainly to the relaxed attitude of institutional investors, which preferred simply to watch the market's directionless drift. By the afternoon many traders decided to call it a day and were setting off for home.

Dealers described trading on the foreign exchange markets as volatile but thin, and although sterling continued to look weak the easing of short-term money market interest rates in mid-morning reduced pressure on the bond market.

By the close long gilts were a few basis points higher, while at the short end there was little change. One leading commentator said: "The Government's buy-in programme is the only thing stopping this market from falling by several points."

■ IN West Germany, news that M3 money supply had grown by only 5.4 per cent in May lifted bond prices back to their opening levels after early falls of about 15 pfennigs.

The market had been bracing itself for a figure nearer 6 per cent after the earlier release of the Bundesbank's monthly report.

The Bundesbank said the decision to scrap the withholding tax had encouraged demand for securities and investors had been switching out of cash positions during May, contributing to the slowdown in M3 growth.

There was little reaction to the latest repurchase announcement from the Bundesbank.

About DM8.3bn was drained from the market yesterday, before a repo allocation of DM8.8bn at rates between 6.5 and 6% per cent was confirmed by the bank.

In late trading, although volume regained its subdued form of the early morning, prices of long bonds rose by about 10 pfennigs in response to the dollar's latest downward gyrations against the D-Mark.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 13.500 | 9/92 | 105-08 | -6/32 | 11.58 | 11.70 | 11.21 |
| | | 9.750 | 1/98 | 94-22 | -3/32 | 10.71 | 10.92 | 10.38 |
| | | 9.000 | 10/08 | 93-30 | -5/32 | 9.70 | 9.88 | 9.36 |
| US TREASURY * | | 9.125 | 5/99 | 105-09 | -3/32 | 8.33 | 8.21 | 8.58 |
| | | 8.875 | 2/19 | 106-10 | -5/32 | 8.30 | 8.18 | 8.61 |
| JAPAN | No 111 | 4.600 | 6/98 | 94.4682 | -0.113 | 5.52 | 5.49 | 5.42 |
| | No 2 | 5.700 | 3/07 | 104.7123 | | 5.19 | 5.15 | 5.13 |
| GERMANY | | 6.375 | 11/98 | 102.2000 | +0.250 | 6.67 | 6.72 | 7.04 |
| FRANCE | BTAN | 8.000 | 1/94 | 98.7439 | +0.090 | 8.87 | 8.81 | 8.97 |
| | OAT | 8.125 | 5/99 | 96.6200 | +0.010 | 8.64 | 8.62 | 8.82 |
| CANADA * | | 10.250 | 12/98 | 104.3750 | -0.375 | 9.53 | 9.38 | 9.78 |
| NETHERLANDS | | 6.7500 | 10/98 | 99.1750 | +0.050 | 7.12 | 7.09 | 7.48 |
| AUSTRALIA | | 12.000 | 7/99 | 91.0803 | +0.125 | 13.86 | 13.70 | 13.69 |

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

### FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 21

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Alberta 9⅞ 95 | 600 | 101¾ | 102⅛ | +0⅛ | -0⅜ | 8.93 |
| Austria 9⅜ 93 | 140 | 101½ | 102⅛ | +0¼ | -0¼ | 9.03 |
| B.F.C.E. 7 92 | 150 | 94⅝ | 95⅛ | 0 | -0½ | 9.15 |
| B.F.C.E. 9¼ 95 | 150 | 101⅛ | 101⅝ | +0½ | +0⅛ | 8.94 |
| Brit. Tel. Fin. 9⅜ 98 | 250 | 102 | 102⅜ | 0 | -0⅞ | 9.01 |
| BP America 9¾ 99 | 250 | 103¾ | 104¼ | -0¼ | -0¾ | 9.10 |
| Canada 9 96 | 1000 | 101½ | 102⅛ | +0¼ | -0¼ | 8.69 |
| Canadian Pac 10¾ 93 | 100 | †101¾ | 102¼ | 0 | +0¼ | 10.04 |
| C.C.C.E 9¼ 95 | 300 | 101 | 101⅜ | +0⅛ | -0⅜ | 8.97 |
| C.N.C.A 9⅜ 93 | 150 | 100⅜ | 100⅞ | +0⅛ | -0¼ | 6.19 |
| Credit National 8¼ 93 | 200 | 97 | 97½ | -0⅛ | -0⅜ | 9.12 |
| Credit National 7⅞ 92 | 100 | 95½ | 96 | +0⅛ | -0⅜ | 9.12 |
| Credit National 9½ 92 | 160 | 101½ | 102⅛ | -0⅛ | -0½ | 8.86 |
| Dai-Ichi Kan 9⅝ 92 | 150 | 100¾ | 101¼ | 0 | -0¾ | 9.22 |
| Denmark 7⅛ 92 | 500 | 95 | 95⅜ | +0⅛ | -0⅛ | 9.21 |
| E.E.C. 7 91 | 100 | 95⅝ | 95⅞ | 0 | -0¼ | 9.03 |
| E.E.C. 7¼ 93 | 250 | 94⅜ | 94⅞ | +0⅛ | -0⅜ | 9.00 |
| E.E.C. 10 93 | 140 | 103⅛ | 103½ | +0¼ | -0¼ | 8.89 |
| E.I.B. 9⅜ 97 | 150 | 102¼ | 102⅝ | 0 | -0⅞ | 8.92 |
| Eurofima 10⅛ 93 | 100 | †103½ | 103⅞ | 0 | -0¼ | 8.92 |
| Elec.De France 9 98 | 200 | 100⅛ | 100½ | +0⅛ | -0½ | 8.94 |
| Elec. De France 9½ 99 | 200 | 103 | 103⅜ | +0⅛ | -1 | 8.99 |
| Finland 7⅞ 97 | 200 | 94⅜ | 94⅞ | 0 | -0½ | 8.86 |
| Finn.Exp.Cd. 8½ 92 | 200 | 98⅛ | 98⅝ | +0⅛ | -0¼ | 9.17 |
| Finn. Exp. Cd. 9⅜ 95 | 200 | 101 | 101⅜ | +0⅛ | -0⅜ | 9.09 |
| Ford Motor Credit 8 91 | 250 | †97½ | 98 | 0 | -0½ | 9.41 |
| Ford Mtr.Cred. 10 94 | 200 | 102⅝ | 103⅛ | 0 | – | 9.24 |
| Gen.Elec.Cap.Corp. 9 93 | 500 | †99⅛ | 99⅝ | 0 | -1⅛ | 9.15 |
| Gen.Elec.Cap.Crp.10 1/2 91 | 300 | 101¾ | 102¼ | 0 | -0½ | 9.15 |
| Gen.Mtrs.Corp. 9⅛ 92 | 200 | 99⅜ | 99¾ | 0 | -0½ | 9.31 |
| IBM Credit Corp. 8⅞ 91 | 250 | 99⅛ | 99⅝ | -0¼ | -0½ | 9.14 |
| IBM Credit Corp. 9½ 92 | 250 | 101⅛ | 101⅝ | +0⅛ | -0⅜ | 8.86 |
| IBM Credit Corp. 10 92 | 200 | 102½ | 103¼ | 0 | -0⅝ | 8.86 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Canada 6⅛ 91 | 80 | 101 | 101¼ | 0 | +0⅛ | 5.38 |
| Canada 5⅝ 93 | 80 | 100⅞ | 101⅛ | 0 | -0⅛ | 5.34 |
| Eurofima 5 1995 | 20 | 97¼ | 98⅛ | +0⅛ | -0⅜ | 5.41 |
| E.I.B. 4⅞ 93 | 30 | 98 | 98¼ | 0 | 0 | 5.44 |
| Ireland 5⅛ 93 | 30 | 99¼ | 99¾ | 0 | -0⅛ | 5.27 |
| Norway 5⅛ 95 | 50 | 98¾ | 99 | 0 | -0¼ | 5.35 |
| Sweden 4⅝ 93 | 50 | 97⅛ | 97½ | 0 | +0⅛ | 5.42 |
| World Bank 5⅛ 98 | 10 | 97⅝ | 98 | -0⅛ | -1⅜ | 5.47 |
| World Bank 7 94 | 20 | 106⅜ | 106⅞ | +0⅛ | -0¼ | 5.41 |

Average price change... On day +0 on week -0⅛

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey Nat.BS.10⅛ 93 £ | 50 | 93⅛ | 93½ | -0⅛ | +0⅛ | 12.63 |
| Abbey Nat. 11⅛ 95 £ | 100 | 97¼ | 97⅞ | 0 | +0⅝ | 12.23 |
| Aegon 7¾ 92 FL | 100 | 101⅜ | 102 | +0⅛ | +0⅞ | 7.77 |
| Alg. Bk. Ned. 5⅜ 93 FL | 200 | 94 | 94½ | +0⅛ | +0¼ | 7.56 |
| Austria 7½ 94 ECU | 100 | 95⅝ | 96⅛ | -0⅛ | -0¼ | 8.58 |
| Bk.Nova Scot.14⅞ 90 A$ | 75 | 95 | 95⅜ | -0¼ | -0¼ | 18.10 |
| Barclays Aus.13½ 91 A$ | 100 | 94⅜ | 94⅞ | 0 | -0⅛ | 16.35 |
| Belgium 8⅛ 94 Ecu | 150 | 97⅞ | 98⅜ | 0 | -0⅛ | 8.61 |
| BP Capital 9¾ 93 £ | 100 | 92½ | 93 | -0⅛ | +0⅝ | 12.21 |
| British Airways 10 98 £ | 100 | 88⅞ | 89⅜ | -0⅛ | +0⅝ | 12.06 |
| Bahrmann-Tel. 6⅞ 93 FL | 100 | 95⅛ | 95⅝ | -0⅛ | +0⅛ | 7.74 |
| Comm.Bk.Aust. 12⅝ 93A$ | 100 | †93 | 93½ | 0 | 0 | 15.00 |
| Cr.Local France 9¼ 92Ecu | 100 | 101½ | 102 | -0⅛ | +0⅛ | 8.56 |
| Deut.Bk.Aus. 13⅜ 93 A$ | 125 | 94⅝ | 95⅛ | +0¼ | +0⅝ | 14.96 |
| Deutsche Bk.Fin. 15 94 A$ | 100 | 101¾ | 102⅜ | 0 | -0⅛ | 14.36 |
| Eastman Kodak 13 90 A$ | 100 | 95 | 95⅜ | -0¼ | -0⅛ | 17.79 |
| E.I.B. 7 96 LFr | 100 | †96⅝ | 97⅝ | +0¼ | -0⅛ | 7.56 |
| E.I.B. 9 99 Ecu | 150 | 102 | 102½ | +0¼ | +0⅜ | 8.64 |
| Eurofima 7⅝ 94 Ecu | 100 | 95⅞ | 96⅜ | -0⅜ | -0¼ | 8.66 |
| Export Dv.Crp.8⅞ 92Ecu | 100 | 100 | 100½ | -0⅛ | -0⅛ | 8.63 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Eng.China Clay 6½ 03 £ | 9/88 | 4.8 | 101⅞ | 102⅞ | +0⅝ | 3.24 |
| Fujitsu 3 99 US$ | 5/84 | 1106. | 220½ | 221½ | +0⅛ | -0.36 |
| Land Secs. 6¾ 02 £ | 6/87 | 6.72 | 97 | 98 | +1½ | 11.10 |
| Minolta Camera 2¼ 94 DM | 2/86 | 1004. | 111¼ | 112¼ | -0⅞ | 7.67 |
| MCA Inc 5½ 02 US$ | †9/87 | 69.62 | 97 | 98 | -0⅝ | 14.32 |
| Mitsubishi Bk. 3½ 04 US$ | 5/89 | 3266. | 92¼ | 93¼ | +0⅛ | 6.52 |
| Mitsui Trust 2⅛ 01 US$ | 10/86 | 1903. | 116 | 117½ | -0⅞ | 3.72 |
| Next Plc 5¾ 03 £ | 11/87 | 4.3 | 98¼ | 99¼ | 0 | 205.10 |
| [illegible] 2⅞ 03 US$ | 1/88 | 604. | 112 | 113 | -1 | -6.75 |
| [illegible] 2⅞ 02 US$ | 1/87 | 1310. | 267 | 268 | +0⅝ | -0.43 |
| [illegible] 4¾ 03 £ | 1/88 | 3.5 | 128 | 129¼ | +3⅞ | -2.13 |
| [illegible] 7¼ 02 £ | 1/87 | 5.4 | 104¼ | 105¼ | +0½ | 1.19 |
| [illegible] 6¼ 03 £ | †10/89 | 4.41 | 91 | 92 | +0⅛ | 31.01 |
| Sumitomo Bank 3¼ 04 US$ | 2/89 | 4296. | 84⅞ | 86⅛ | +1 | 22.56 |
| Texas Inst. 2¾ 02 US$ | †9/87 | 82.87 | 75½ | 76 | -0⅝ | 53.57 |
| W.R. Grace 6¼ 02 US$ | 9/87 | 42.12 | 94⅞ | 95¼ | -0⅝ | 22.48 |

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



# TSE draws up rules for US T-bond futures

THE Tokyo Stock Exchange has finalised its trading rules for US Treasury bond futures, to be listed as early as December, Reuter reports.

According to a TSE official, the exchange will follow the lead of contract mechanisms at the Chicago Board of Trade (CBOT), listing a standardised 20-year 8 per cent bond.

Trades will be made with 1/32 percentage point as minimum tick. Trade and clearance will be dollar-denominated and the minimum trading unit will be $100,000.

The official said the TSE wanted to match-up with "conceptual" 20-year T-bond trading at the CBOT. Price fluctuations would be limited to three points from the clearing price at the CBOT on the previous business day.

Chicago traders use a 20-year maturity in calculating the theoretical price for the futures contract, which can be used to hedge 30-year maturity bonds.

The TSE will trade five contracts with clearing days on the final business days of March, June, September and December.

Each contract's final trading day will be the same as on the CBOT. If the market is closed that day in Japan, trade will finalise to the closest previous business day.

A minimum 4.5 per cent of total face value will be charged as margin fees, although this will not be less than $45,000. Margin fees are partly paid in yen, calculated at the current exchange rate. The fees may also be paid with yen-denominated securities or US Treasury securities.

Delivery will be made as an exchange of bonds and money through bank accounts of securities firms and the TSE. A minimum 15 years to maturity will be required for a cash deliverable bond.

# Taiwan to relax curbs on brokers

TAIWAN is to allow foreign securities houses to set up branches and conduct both domestic brokerage and foreign securities transactions, Reuter reports.

Mr Chang Chang-Pang, Taiwan's securities and exchange commission chairman, said the relaxation of brokerage rules was part of government efforts to liberalise financial markets.

Initially the commission would only allow three foreign houses to establish branches. To qualify, foreign houses would have to have capital of more than US$2bn and total assets in excess of $20bn, Mr Chang said.

Eligible firms must also be members of the London, New York or Tokyo stock exchanges. Candidates should apply to the SEC before October 31.

Taiwanese nationals will be able to buy foreign securities through the foreign brokers. It is hoped that Taiwanese investors will help soak up Taiwan's huge foreign exchange reserves, which now total about $74.2bn.

The liberalisation measure will also provide more investment channels for local investors. Mr Chang said that over the past two years Taiwan's stock market had been bogged down by a shortage of investment opportunities and excess liquidity.

Average daily turnover on the Taiwan Stock Exchange is about $4bn a day. The market, with a total capitalisation of about $250m, has about 170 listed companies.

The number of local brokerage houses is expected to rise to more than 200 by the end of 1989, from the current 148.

# IMI Bank joins bund underwriters

IMI BANK, the West German arm of Italy's state-owned Istituto Mobiliare Italiano (IMI), has become a member of the underwriters consortium for German government securities, Reuter reports.

IMI Bank's membership of the Bundesanleihekonsortium was approved by the Bundesbank. IMI said it was the first Italian bank to become a member.

The bank also said it had become a member of the Frankfurt Stock Exchange with operating capability on both the equity and the fixed-income securities markets.

It said the two events represented significant steps in the process of strengthening the role of the IMI group on the international capital markets.

IMI Bank, which was created last year, is modelled on the West German universal bank, operating in both commercial and investment banking areas.

## INTERNATIONAL COMPANIES AND FINANCE

# Hooker Corp requests moratorium

By Bruce Jacques in Sydney

HOOKER Corporation, the ailing Sydney-based property group with a range of interests in the US, asked its creditors yesterday to support a four-month moratorium on the company's debts to allow it to trade through its difficulties.

Mr Richard Grellman of Peat Marwick Hungerfords, officially described as the company's financial adviser but dubbed by the market as its quasi-liquidator, formally put the moratorium plan to a meeting of nearly 40 creditors.

The lenders have been given until next Friday to decide their attitude, although Mr Grellman said there was a general level of support. "In order to achieve a planned, constructive debt reduction programme, the corporation needs time, the forbearance of its financiers and, possibly, further funding," he said.

"If the above factors can be brought to bear on the present situation, then the corporation can go about disposing of certain of its assets in a planned and controlled way," he continued. "Such considerations as adequate promotion, most appropriate method of sale and seasonal factors can all be focused on, with a view to achieving the best result."

Mr Grellman said that, if the moratorium went ahead, he would prepare a rationalisation plan for approval by lenders within three months. He also disclosed an abridged balance sheet which suggested that Hooker's net assets totalled A$540m (US$407m).

This calculation took into account more than A$1.9bn in debt, but included A$170m in intangibles, mostly brand names. This reduced net assets to A$370m, and produced a net asset backing of A$1.95 for each of the company's 190m issued shares.

But Australian stock markets quickly showed they did not believe the figures by marking the company's shares down 19 cents yesterday to a new nine-year low of 45 cents, although they recovered a little to close at 58 cents.

The market is concerned about Mr Grellman's assertion that more funds might have to be pumped in, and is focusing on the company's liquidity rather than its net assets. Hooker's latest balance sheet showed A$790m in debt due within one year and a further A$311m within two years, commitments which the company clearly cannot meet.

There is also concern that Mr Grellman's stated A$2.3bn total assets could not be realised from asset sales, especially Hooker's US retailing operations. Mr Grellman confirmed that much of the company's Australian borrowings had been used for US investments.

But the company's lenders are likely to approve the moratorium because they have lent to Hooker on a negative-pledge basis, meaning that few, if any, have charges over specific assets.

Thus, forcing the company into official receivership or liquidation would be unlikely to give the main lenders improved ranking for repayments.

# Shopping malls up for sale to cut debt

By Roderick Oram in New York

HURT by a failure to understand some basic retailing principles, Mr George Herscu, the Australian real estate investor, is having to sell large chunks of the US base he built in a $1bn spending spree over the past three years.

On the block are half shares in the three big shopping malls which Hooker, his main corporate vehicle, has completed, and the three it plans to build. It is also looking for partners in its retail chains.

The disposals are part of *Hooker's plans to dispose of* US$750m worth of assets to reduce its debt and relieve its financial pressure.

Analysts are still trying to estimate the value of the US assets for sale. Some of the malls are in over-built markets and have a high proportion of unleased space, which will drag down the ultimate figure.

Mr Herscu barrelled into the US in 1986 and in short order bought the Bonwit Teller and B. Altman department store chains, 80 per cent stakes in the Sakowitz chain of Houston and the Merksamer Jewellery chain of California. He also took a stake in Parisian, an Alabama-based chain.

He planned to short-circuit the mall building process by anchoring the projects with store chains he owned. But *analysts and former colleagues* say he made the grave strategic error of putting the wrong stores into certain malls.

Thus, for example, Bonwit Teller, an up-market clothing chain, was put in the mall in Columbia, South Carolina, a town with too small a wealthy retail base to support it. Similarly, Parisian and Sakowitz stores were pushed into malls so far outside the chains' geographic bases that they were unknown to customers.

Not only are some of the Hooker-owned stores struggling, but some of the malls are failing to fully lease space for small stores. For example, its largest project, the $300m, 1.6m sq ft Forest Fair Mall in Cincinnati, opened four months ago but has filled only two-thirds of the space set *aside for small stores. At such* low rates, real estate analysts are sceptical that Hooker is covering its interest cost.

Bonwit Teller and Altman were both famous but sadly neglected chains when Mr Herscu bought them. Bonwit Teller, for example, had lost a lot of its up-market fashion and sales drive to fast-expanding stores such as Saks Fifth Avenue and Lord and Taylor.

Mr Herscu hoped to correct that with a massive expansion plan, aiming to almost quadruple the number of Bonwit Teller stores from 13 to 50 in a few years. But analysts believe that Altman is losing money and that Bonwit Teller will be lucky to break even this year.

Hooker's troubles also extend to house building, where it is heavily concen*trated in the two worst state* markets for real estate in the country, Texas and Arizona.

Both remain depressed by the collapse of the mid-1980s speculative property boom and the insolvency of many mortgage-providing savings and loan institutions.

# Bombardier plans to cut reliance on aerospace

By Robert Gibbens in Montreal

BOMBARDIER, the Canadian group which is buying Belfast aerospace company Short Brothers, wants to increase its mass transit equipment and consumer credit activities to balance its top-heavy reliance on aerospace, says Mr Laurent Beaudoin, the group's chairman.

Canadair, Bombardier's business jet offshoot, will contract about 20 per cent of the value of the Canadair Regional Jet airliners to Shorts, whose engineers are in Montreal to begin integrating work on the airliner.

Bombardier has a total order backlog worth about C$5.5bn (US$4.6bn), excluding C$1.5bn at Short Brothers, which is being acquired for C$60m. Of the C$5.5bn more than 80 per cent is in aerospace, Mr Beaudoin said.

But he pointed out that the North American transit equipment market was recovering from recession very slowly, while the short-term outlook was brighter in Europe.

He said that the Belgian subsidiary BN Constructions Ferroviaires has lined up *potential orders worth* between C$400m and C$500m.

Bombardier's TGV Florida joint venture with Alsthom of France will present detailed proposals in October for the planned US$3bn Miami-Tampa high speed rail line.

# Nabisco to sell oriental assets

RJR NABISCO, the US foods group, is to sell its Chun King assets to a joint venture in Singapore for $52m, Reuter reports from New York.

The sale is subject to Federal Trade Commission approval, to comply with an agreement reached between the commission and Kohlberg Kravis Roberts when KKR acquired RJR Nabisco this year.

Included in the deal are the Chun King trademark, two production facilities and some sauce manufacturing equipment in Canada.

# Heinz celebrates quarter century of profit growth

By Karen Zagor in New York

H.J. HEINZ, the US food group, yesterday reported higher fourth quarter earnings and a 25th consecutive year of profit growth.

Net profits for the three months ended May 3 rose 15.2 per cent to $117.2m or 89 cents a share, from $101.7m or 77 cents a year earlier, on sales which improved 11 per cent to $1.63bn from $1.47bn.

For the year, net earnings grew by 14 per cent to $440m or $3.34 a share from $386.0m or $2.91 a year ago. Revenues increased to $5.80bn, against $5.24bn a year earlier.

"We are very pleased to have completed a quarter century of fiscal growth," said Mr Tony O'Reilly, chairman and chief executive.

"We believe that both our financial strength and our brand strength give us reason to be optimistic about the future. We are confident that we will be able to convert our considerable potential into continued improvement."

The Pittsburgh-based company's earnings surpassed analysts' expectations. They had projected per share earnings of 85 cents for the quarter and $3.30 for the year.

The company said that sales for the quarter were helped by the strong performance of Heinz products in the UK, improved sales of Weight Watchers brand products and of baby food in Italy. Higher prices, particularly for corn sweeteners, also contributed significantly to the sales increase.

During the year Heinz operating income increased by 16.8 per cent. The improvement was attributed to stronger sales, recent acquisitions in the pet food and foreign markets and continued cost-cutting.

Shares in the company were trading at $53¼ at mid-day on the New York Stock Exchange, unchanged from Tuesday's close.

# Bergen Bank ahead strongly

By Our Financial Staff

BERGEN BANK Group, one of Norway's top three banking businesses, yesterday reported a significant improvement in profits for the first four months of 1989, paced by a strong performance at the parent bank.

Group operating profits before loan losses jumped to NKr723m ($100m), up NKr278m from the 1988 result. Profits after estimated loan losses and taxes emerged at NKr250m, against NKr31m a year earlier.

The group, which has been hit by Norway's weak domestic economy and by problems within its finance companies, said there was a significant improvement of all profitability ratios. Return on equity rose from 2.7 per cent to 21 per cent for the group, and earnings per share rose from NKr6.85 to NKr51.80. Total group assets were NKr112bn, up 12 per cent from the end of April last year.

Group figures are not strictly comparable because the Nevi Group finance operation was not acquired until after the end of the first four months of 1988. Losses for group companies apart from the bank itself are estimated to be lower in 1989 than in 1988, while loan losses for these companies are put at NKr450m for the year.

Parent bank operating profits were NKr597m in the first four months of 1989, up from NKr320m a year earlier. After taxes and loan losses these were NKr290m, up from NKr44m in the previous year.

Net interest income grew NKr90m over the year to NKr756m, and the interest margin, which had narrowed steadily in recent years, now shows "a positive trend."

Non-interest income, including trading in short-term securities, profit on foreign exchange dealings and fees and commissions, jumped by NKr164m to NKr449m.

Operating expenses fell 6 per cent, adjusted for the reintroduction of contributions to the Commercial Banks Security Fund from 1989. The fall reflects the cost reduction measures introduced last autumn, which have enabled the bank to reduce staff by 360 workyears while avoiding lay-offs.

# Southmark plea on debt

By Roderick Oram

SOUTHMARK, the troubled Dallas real estate-based financial services group, is likely to ask its bond holders to accept new equity because it cannot generate enough cash-flow to refinance $1.2bn of debt.

It said it would try to outline its financial plans at meeting with bond holders on July 6. It hoped the plans would allow it to avoid seeking protection from the bankruptcy courts.

The company has already breached net-worth covenants on five of its 10 debt issues but it hopes creditors will wait to hear its restructuring plans rather than seeking accelerated repayment of the debt.

The company recently reported negative net worth of $426.5m at March 31 after it turned in a fiscal third-quarter loss of $1.04bn. The steep loss was due mainly to big write-downs on its real estate partnerships and other assets.



# Twinpak goes to Australians

AMCOR OF Australia has bought Twinpak, the largest plastic containers producer in Canada, for C$175m (US$146m), including $125m cash, writes Robert Gibbens in Toronto.

The seller was CB Pak, a subsidiary of Consolidated-Bathurst, the Montreal-based pulp and paper group taken over this year by Stone Container of Chicago

# Computer company president resigns

By Karen Zagor in New York

MR WILLIAM PATTON has resigned as president and chief executive of MAI Basic Four, a small California computer company which is invoved in a *hostile takeover bid for Prime* Computer. The resignation will take effect from Sunday.

Mr Bennet LeBow, the New York *investor who, as chair*man and controlling shareholder, is the real power behind the scenes at MAI, was taciturn about the reasons for Mr Patton's resignation.

"We regretfully accept his resignation, but at the same *time we honour his wishes to* devote more time to his other personal and business interests," he said.

*Mr Patton, 53, will remain a* consultant to MAI and a member of the board of directors. His duties as president and chief executive will be assumed temporarily by Mr William Weksel, 52, a board member who hasserved as *president once before.*

It is not known whether Mr Patton's resignation had anything to do with the company's *protracted fight to acquire* Prime. Mr Patton has not been a main player in the attempt.

## INTERNATIONAL CAPITAL MARKETS

# Wüstenrot rises to the challenge from Germany's banks

**Haig Simonian on the way the Federal Republic's third biggest building society is responding to competitive pressure**

The first bausparkasse, the vehicle through which Germany's big banks are spearheading their entry into broader financial services, was formed more than 60 years ago when a group of friends pooled their savings in the Swabian village of Wüstenrot, north of Stuttgart.

Today the Wüstenrot name stands behind Germany's third biggest bausparkasse. Its business, essentially offering fixed savings contracts against the prospect of a home loan at a later date, is solid and dependable rather than exciting. Yet it has recently begun to catch on quickly.

The first buzz that something was up came early in 1987 when Deutsche Bank formed its Deutsche Bauspar subsidiary. Commerzbank subsequently acquired a 40 per cent stake in Leonberger Bausparkasse, Germany's fourth biggest home savings company. Dresdner Bank is currently setting up a bausparkasse of its own.

The appeal of bausparkassen for the banks is overwhelming. Unlike traditional bank branches, bausparkassen sell their products largely through external sales forces, usually on commission. This brings in new client contacts. And because a home savings contract is linked to a life insurance policy, it is only a small step into the insurance business.

Yet while Wüstenrot may now be eclipsed by the efforts of the big commercial banks to enter the business, it remains one of the most innovative institutions of its kind in Germany. Few other home savings banks have come up with so many ideas, and few are likely to be so threatened by the new competition.

Wüstenrot's reputation for innovation stems from its decision to branch into banking and life insurance in 1968 and 1969 respectively, years before the present trend towards "allfinanz" – broad financial services under one roof – caught on.

Since then its bank and insurance activities have grown appreciably. The bank now has about DM6bn ($4bn) in total assets, while the life insurance unit, which had new premium income of DM2.5bn last year, is the 24th biggest in Germany. This puts it comfortably in the top 25 per cent of life groups.

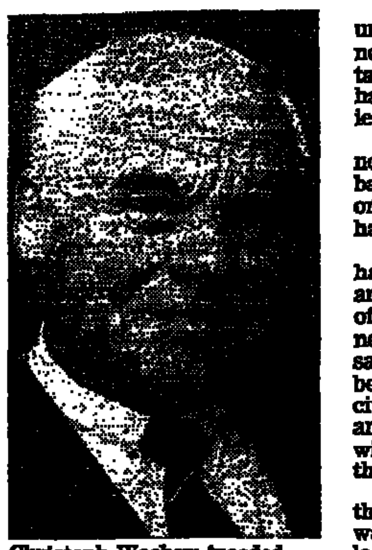
Mr Christoph Wocher, Wüstenrot's chief executive, explains the reasons behind the decision to branch out. "We felt we needed some extension to the bausparkasse business, which is relatively narrow and restricted. To do more, we realised we needed our own bank," he says.

"Then we said maybe one day the bausparkasse business will no longer be so strong, so we need another source of revenue to keep us nourished." As home savings contracts are linked to life insurance "we said, why give this money away?"

But as one of Germany's few big independent bausparkassen, how does Wüstenrot view the challenge of new competition from the big banks?

Mr Wocher does not play down the threat. But he also sees the banks' move as confirmation that the home savings business has a big future.

Unlike UK building societies or US savings and loans, bausparkassen are still highly restricted in the services they can offer. Although some have



Christoph Wocher: 'needed our own bank'

pressed for legal changes, possibly along the lines of the deregulation for UK building societies which can now compete more closely with high street banks, Mr Wocher thinks any changes in Germany are likely to be marginal.

"It would be very nice for us to put everything together under one roof," he says. "But no fundamental deregulation is taking place in Germany, as happened with building societies in the UK."

Nevertheless, Wüstenrot has not been standing still. While banks have started to encroach on its traditional business, it has pushed ahead in banking.

Wüstenrot Bank, which now has about 30 main branches and almost half as many sub-offices, is opening about 10 new outlets a year. Mr Wocher says: "Our primary goal is to be represented in every big city of over 100,000 inhabitants." At the present rate, that will be reached within the next three to four years.

Where the bank goes from there is still undecided. "We want to see how the world looks then," the chief executive stresses. But its strategy is becoming clearer.

So far the bank has concentrated on lower-to-middle income households — traditionally those most attracted to a bausparkasse. It provides all normal banking services, with the exception of securities trading.

"In order to get off the ground quickly, we limited ourselves to off-the-shelf products, which could be sold easily and quickly," Mr Wocher says.

But last year Wüstenrot gained full control of Deutsche Kredit-und Handelsbank (DKH), a small Berlin-based bank specialising in securities and commercial credits, in which it had been steadily building a stake.

The plan is to use DKH to complement Wüstenrot Bank by appealing to wealthier clients. Apart from its existing securities team in Berlin, DKH has already taken offices in Frankfurt and will be active at the bourse. Moreover, while remaining legally separate it will also be used to transact securities business for Wüstenrot Bank, thereby extending the range of services for the group as a whole.

Will it be enough to fight off the new competition, especially at a time when some of Wüstenrot's sales force is likely to be picked off by expanding newcomers?

Mr Wocher is candid in admitting that there are difficulties ahead for any private-sector bausparkasse. Not only is the competition hotting up domestically, but there is also the prospect of unrestricted access for other European Community financial services groups after 1992.

The future after 1992 "is something we're thinking very intensively about," he says. "We are talking to many institutions as to what forms of co-operation might be sensible and possible, and what our joint aims could be."

Mr Wocher's dream is for a group of like-minded and similar-sized European financial institutions to take reciprocal stakes in each other. But he is the first to admit this hope is probably Utopian.

Rather, the company is trying to prepare itself for all eventualities. Wüstenrot has even set up a foreign financing subsidiary should it wish to tap the Euromarkets.

But in spite of his readiness to consider all options, there is one point on which Mr Wocher is firm.

"We have come to the conclusion that taking a stake in a business in another country could only make sense if it helps us to gain some additional know-how to sell a product in Germany," he stresses.

# NY pension funds 'must stop hostile bid trading'

By Janet Bush in New York

PUBLIC pension funds in New York, which have about $100bn in assets, should be barred from investing in hostile takeovers, concludes a report by the Taskforce on Pension Fund Investment set up last November.

The taskforce said that public pension funds should be precluded from investing in hostile takeovers and required to negotiate an "opt-out" agreement for leveraged buy-out deals which might be adverse to the economic interests of New York State before they invested in LBO blind pools.

The report also recommended an independent, non-profit pension funds investment unit or New York development bank be created to funnel pension investments into long-term beneficial economic programmes.

There are a number of other recommendations designed to encourage a more active role for pension funds in influencing the management of companies in which they invest.

The report, compiled after detailed and lengthy testimony from industry experts, recommends that new statutory language should be written for pension funds, creating a duty to "monitor, communicate and participate constructively in corporate governance." It also recommends rule changes which would require pension funds to report on their stance in proxy votes.

The thrust of the report is towards a more active role for pension funds in the management of companies, a trend which has been seen nationwide, in a more active proxy fight campaign conducted by some large public funds and a co-ordinated campaign to have shareholder resolutions submitted at annual meetings.

Mr Ira Millstein, chairman of the taskforce, said: "Given the competitive challenge we face in this state and the nation, it is imperative that this massive economic force [pension fund assets] be used constructively. Improving corporate competitiveness over the long term is totally consistent with the best interests of fund beneficiaries."

# Bank sets up Turkey's first life-only insurer

By Jim Bodgener in Ankara

HAYAT SIGORTA, Turkey's first life-only insurance company, has been formed by Iktisat Bankasi, one the more innovative of the smaller Turkish banks.

The new institution will attempt to tap a rapidly expanding base in Turkey, where the insurance market has traditionally been one of the least profitable in the financial services sector.

Government-fixed premiums out of step with inflation, together with Turkey's appalling road accident rate, have saddled Turkish insurance companies with high regular claims and outgoings poorly compensated for by irregular premium flows.

However, the Turkish financial reforms of 1987 and 1988 have begun to improve the trading climate for insurance companies.

# Strong Far Eastern demand for IBM Credit's $100m issue

By Katharine Campbell

THE HANDFUL of issuers brave enough to struggle through strike-bound London yesterday were broadly rewarded, as the disruptive

## INTERNATIONAL BONDS

effects of the transport strike failed to halt the Euromarkets.

Goldman Sachs International brought a well-received $100m three-year deal for IBM Credit Corp which at issue yielded 34 basis points above equivalent US Treasuries. Strong demand from the Far East contributed to the smooth reception, according to Goldman, which was basking in its first lead management assignment for the coveted IBM name.

The paper was soon quoted at less 1¼ bid, within total fees of 1⅞, just 29 basis points over Treasuries. The two most recent issues for the borrower trade around 25 basis points over Treasuries, but have higher coupons.

The state government-guaranteed $100m issue for State Electricity Commission of Victoria, led by Merrill Lynch, came 70 basis points over three-year Treasuries. It met with a firm, if unexcited, reception. The paper was trading mid-afternoon at less 1.35 bid, within commissions.

Market sources, noting that a number of private placements into Tokyo were furnishing firms such as Merrill with cheap fixed-rate Australian dollars, suggested the bond had been swapped into fixed-rate Australian dollars. The lead manager refused to comment.

The niche New Zealand dollar market was sourced by State Bank of South Australia via a NZ$50m three-year straight bond paying 14 per cent. The deal was led by Hambros. While the lead manager characterised the market as "not extraordinarily active," Continental retail buyers, at whom the paper was excessively targeted, provided solid demand. The paper was quoted at 1⅜ bid, also within fees. A recent deal for CIBC on the same terms traded at less 1.40.

Elsewhere in the Swiss franc sector, Banque Française du Commerce Extérieur's issue launched on Tuesday was increased by SFr50m to SFr200m. The paper had traded as low as less ½ bid before the increase, although it slackened to less 1 bid immediately afterward the move. But the lead manager believes the popularity of triple A instruments carrying a French government guarantee should ensure prices firm in the market today.

While UBS, in an unusual move, announced on Tuesday it was declining to join the Maxwell Finance SFr125m convertible deal fixed that day, Credit Suisse First Boston in turn said yesterday it would partake in it. In the grey market the paper was being quoted at less 1½ bid, just within fees.

Meanwhile trading in the secondary Swiss franc market was relatively thin, although pockets of demand helped some grey market prices firm between ⅜ and ¼ point.

In the Ecu sector traders reported little movement during the afternoon, although prices had opened a shade weaker. The generally lacklustre trading reflected relative quiet on the foreign exchanges.

● Barclays Bank plans to issue $184m in the US domestic market in non-cumulative preference shares which are deemed to be tier 1 capital for regulatory purposes.

The securities are the balance of a $500m shelf registration for Barclays filed last month in the first-ever issue of this sort for a UK bank. The shares have no fixed maturity but can be redeemed at the option of Barclays Bank, subject to certain conditions.

● Crédit Local de France plans to issue a FFr3.5bn bond in two tranches, Reuter reports.

Crédit Local, Caisse Nationale du Crédit Agricole, Crédit Commercial de France and Union de Garantie et de Placement are to co-lead manage the largest portion of the funding, a tranche of FFr2.5bn. Crédit Agricole will act as lead manager for the FFr1bn balance of the issue.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| US DOLLARS | | | | | | |
| IBM Credit Corp.(a)♦ | 250 | 9 | 101.42 | 1992 | 1⅞/1¼ | Goldman Sachs Int. |
| State Elec.Comm.Victoria(a)♦ | 100 | 9⅛ | 101¾ | 1992 | 1⅞/1¼ | Merrill Lynch |
| Amgen Inc§ | 100 | (7⅛-8) | 100 | 2004 | 2½/1½ | Morgan Stanley Int. |
| NEW ZEALAND DOLLARS | | | | | | |
| State Bk of Sth Australia♦ | 50 | 14 | 102 | 1992 | 1½/1 | Hambros Bank |
| SWISS FRANCS issue increased: | | | | | | |
| BFCE(b)♦ | 200 | 5⅜ | 101⅞ | 1999 | n/a | Credit Suisse |
| YEN | | | | | | |
| Credito Italiano(London)(c)♦ | 7bn | 5.3 | 101⅞ | 1992 | 1⅞/⅝ | Sumitomo Finance Int. |

★Private placement. §Convertible. ♦Final terms. a) Non-callable. b) Issue increased from SFr150m. c) Issue increased from Y5bn. Coupon 5.3% first year, years 2 and 3 calculated by formula to yield 5.5%.

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| | EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Wed Jun 21 1989 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1989 to date | Tue Jun 20 Index No. | Mon Jun 19 Index No. | Fri Jun 16 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (205) | 966.97 | +0.2 | 10.83 | 4.06 | 11.39 | 14.74 | 964.92 | 957.49 | 955.51 | 792.26 |
| 2 | Building Materials (29) | 1201.60 | +0.2 | 11.83 | 4.31 | 10.44 | 22.32 | 1198.77 | 1183.19 | 1180.73 | 1022.84 |
| 3 | Contracting, Construction (37) | 1648.40 | +0.4 | 14.07 | 4.26 | 9.32 | 30.72 | 1641.42 | 1628.98 | 1633.22 | 1603.77 |
| 4 | Electricals (9) | 2851.79 | +1.3 | 8.37 | 4.04 | 14.74 | 50.60 | 2815.77 | 2796.58 | 2790.72 | 2121.77 |
| 5 | Electronics (30) | 2264.09 | -0.1 | 8.43 | 3.07 | 15.38 | 23.92 | 2265.47 | 2249.81 | 2243.76 | 1715.97 |
| 6 | Mechanical Engineering (54) | 532.12 | +0.2 | 10.00 | 3.98 | 12.30 | 8.04 | 531.15 | 527.96 | 522.46 | 405.25 |
| 8 | Metals and Metal Forming (7) | 519.04 | — | 19.30 | 5.77 | 5.71 | 3.02 | 518.83 | 517.40 | 531.30 | 478.22 |
| 9 | Motors (17) | 326.66 | +0.7 | 11.38 | 4.65 | 10.32 | 6.83 | 324.39 | 322.12 | 320.61 | 282.81 |
| 10 | Other Industrial Materials (22) | 1594.88 | — | 9.43 | 4.30 | 12.66 | 26.35 | 1594.03 | 1585.27 | 1577.33 | 1311.44 |
| 21 | CONSUMER GROUP (187) | 1237.65 | +0.5 | 8.94 | 3.65 | 13.99 | 17.90 | 1231.89 | 1225.00 | 1217.48 | 1106.37 |
| 22 | Brewers and Distillers (22) | 1348.76 | +1.1 | 10.06 | 3.59 | 12.49 | 19.41 | 1333.94 | 1321.00 | 1323.49 | 1137.01 |
| 25 | Food Manufacturing (20) | 1094.82 | +0.8 | 9.26 | 3.81 | 13.51 | 17.13 | 1086.36 | 1083.98 | 1076.87 | 998.39 |
| 26 | Food Retailing (15) | 2390.08 | -0.1 | 8.45 | 3.19 | 15.53 | 25.59 | 2393.13 | 2399.40 | 2388.00 | 2047.32 |
| 27 | Health and Household (14) | 2245.43 | +0.1 | 6.61 | 2.65 | 17.19 | 21.50 | 2242.34 | 2216.34 | 2189.19 | 1880.76 |
| 29 | Leisure (33) | 1656.78 | +0.2 | 7.60 | 3.42 | 16.31 | 22.05 | 1654.04 | 1651.49 | 1632.27 | 1353.85 |
| 31 | Packaging & Paper (15) | 568.22 | +0.8 | 10.16 | 4.32 | 12.45 | 8.15 | 563.58 | 567.53 | 566.30 | 519.24 |
| 32 | Publishing & Printing (19) | 3590.96 | +1.1 | 8.57 | 4.62 | 14.72 | 71.88 | 3553.36 | 3542.78 | 3534.50 | 3463.26 |
| 34 | Stores (34) | 815.15 | +0.3 | 11.15 | 4.42 | 11.74 | 14.98 | 812.78 | 804.89 | 801.54 | 827.37 |
| 35 | Textiles (15) | 538.55 | +0.4 | 11.12 | 5.38 | 10.83 | 13.42 | 536.65 | 534.98 | 533.63 | 599.77 |
| 40 | OTHER GROUPS (94) | 1130.22 | +0.3 | 10.00 | 4.16 | 12.08 | 13.55 | 1126.62 | 1127.66 | 1122.06 | 913.44 |
| 41 | Agencies (18) | 1403.36 | +1.7 | 7.10 | 2.35 | 17.44 | 14.91 | 1379.27 | 1359.56 | 1349.39 | 1208.70 |
| 42 | Chemicals (22) | 1292.42 | +0.4 | 11.03 | 4.61 | 10.69 | 26.38 | 1286.67 | 1276.53 | 1272.79 | 1085.04 |
| 43 | Conglomerates (12) | 1604.05 | — | 10.49 | 5.06 | 11.24 | 20.16 | 1603.26 | 1595.59 | 1583.02 | 1226.64 |
| 45 | Transport (13) | 2440.57 | +0.1 | 8.65 | 3.69 | 15.03 | 39.22 | 2438.78 | 2438.74 | 2444.57 | 1940.16 |
| 47 | Telephone Networks (2) | 1108.60 | -0.4 | 11.25 | 4.48 | 11.53 | 2.76 | 1113.46 | 1119.74 | 1110.20 | 981.06 |
| 48 | Miscellaneous (27) | 1700.65 | +1.0 | 9.37 | 3.51 | 12.12 | 23.26 | 1683.16 | 1708.53 | 1686.16 | 1196.65 |
| 49 | INDUSTRIAL GROUP (486) | 1158.15 | +0.4 | 9.79 | 3.91 | 12.60 | 16.18 | 1154.05 | 1149.14 | 1143.78 | 983.72 |
| 51 | Oil & Gas (14) | 2078.08 | +0.5 | 10.39 | 5.43 | 12.79 | 51.14 | 2068.63 | 2066.03 | 2056.75 | 1873.19 |
| 59 | 500 SHARE INDEX (500) | 1236.27 | +0.4 | 9.87 | 4.10 | 12.63 | 19.84 | 1231.74 | 1226.97 | 1221.20 | 1058.98 |
| 61 | FINANCIAL GROUP (124) | 735.84 | +0.3 | – | 5.34 | – | 17.62 | 733.85 | 726.88 | 725.26 | 717.59 |
| 62 | Banks (8) | 734.92 | +0.5 | 24.25 | 6.51 | 5.42 | 21.71 | 731.16 | 719.21 | 718.44 | 685.78 |
| 65 | Insurance (Life) (8) | 1062.73 | +0.5 | – | 5.62 | – | 29.86 | 1057.89 | 1051.82 | 1047.69 | 1036.49 |
| 66 | Insurance (Composite) (7) | 568.82 | +0.5 | – | 6.33 | – | 16.75 | 566.04 | 563.37 | 559.87 | 565.14 |
| 67 | Insurance (Brokers) (7) | 964.16 | — | 7.83 | 6.50 | 17.18 | 31.63 | 964.70 | 966.87 | 976.03 | 1007.87 |
| 68 | Merchant Banks (11) | 328.90 | — | – | 4.72 | – | 5.93 | 328.93 | 327.81 | 328.27 | 367.79 |
| 69 | Property (52) | 1320.94 | -0.1 | 6.28 | 2.89 | 20.29 | 15.98 | 1322.62 | 1308.90 | 1299.55 | 1253.90 |
| 70 | Other Financial (31) | 357.21 | +0.1 | 11.49 | 6.04 | 11.07 | 8.02 | 356.71 | 356.78 | 360.89 | 388.41 |
| 71 | Investment Trusts (71) | 1148.46 | +0.2 | – | 2.85 | – | 14.25 | 1146.37 | 1141.24 | 1143.18 | 989.33 |
| 81 | Mining Finance (2) | 618.08 | -0.2 | 9.34 | 4.15 | 11.93 | 10.45 | 619.01 | 617.58 | 619.67 | 551.92 |
| 91 | Overseas Traders (8) | 1303.63 | +0.1 | 11.55 | 5.69 | 9.85 | 35.07 | 1302.23 | 1289.69 | 1283.40 | 1148.40 |
| 99 | ALL-SHARE INDEX (705) | 1112.12 | +0.3 | – | 4.26 | – | 18.53 | 1108.39 | 1103.16 | 1098.73 | 969.90 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Jun 20 | Jun 19 | Jun 16 | Jun 15 | Jun 14 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX♦ | 2172.2 | +7.4 | 2178.9 | 2168.8 | 2164.8 | 2154.7 | 2143.9 | 2129.6 | 2133.6 | 1879.3 |

### FIXED INTEREST

| | PRICE INDICES | Wed Jun 21 | Day's change % | Tue Jun 20 | xd adj. today | xd adj. 1989 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | 5 years | 116.92 | -0.04 | 116.97 | – | 5.61 |
| 2 | 5-15 years | 129.36 | -0.06 | 129.53 | 0.10 | 6.96 |
| 3 | Over 15 years | 140.17 | — | 140.17 | – | 7.09 |
| 4 | Irredeemables | 163.51 | +0.02 | 163.47 | – | 6.34 |
| 5 | All stocks | 128.04 | -0.04 | 128.16 | 0.05 | 6.60 |
| | Index-Linked | | | | | |
| 6 | 5 years | 135.55 | -0.03 | 135.59 | – | 1.36 |
| 7 | Over 5 years | 132.10 | -0.04 | 132.15 | – | 1.88 |
| 8 | All stocks | 132.25 | -0.04 | 132.30 | – | 1.82 |
| 9 | Debentures & Loans | 113.02 | +0.10 | 112.91 | – | 5.91 |
| 10 | Preference | 87.61 | -0.01 | 87.62 | – | 3.10 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Wed Jun 21 | Tue Jun 20 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 10.00 | 10.02 | 9.02 |
| 2 | Coupons | 15 years | 9.61 | 9.59 | 9.27 |
| 3 | | 25 years | 9.40 | 9.38 | 9.09 |
| 4 | Medium | 5 years | 11.15 | 11.12 | 9.48 |
| 5 | Coupons | 15 years | 10.08 | 10.07 | 9.47 |
| 6 | | 25 years | 9.60 | 9.60 | 9.29 |
| 7 | High | 5 years | 11.29 | 11.25 | 9.57 |
| 8 | Coupons | 15 years | 10.29 | 10.29 | 9.62 |
| 9 | | 25 years | 9.78 | 9.78 | 9.35 |
| 10 | Irredeemables† | | 9.38 | 9.38 | 9.19 |
| | Index-Linked | | | | |
| 11 | Inflation rate 5% | 5yrs. | 3.87 | 3.86 | 2.66 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.79 | 3.79 | 3.80 |
| 13 | Inflation rate 10% | 5 yrs. | 3.07 | 3.05 | 1.62 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.62 | 3.61 | 3.63 |
| 15 | Debs & | 5 years | 12.00 | 12.37 | 10.31 |
| 16 | Loans | 15 years | 11.67 | 11.72 | 10.71 |
| 17 | | 25 years | 11.33 | 11.29 | 10.74 |
| 18 | Preference† | | 10.32 | 10.32 | 9.54 |

♦Opening index 2169.4; 10 am 2175.1; 11 am 2178.4; Noon 2176.7; 1 pm 2175.6; 2 pm 2177.0; 3 pm 2176.8; 3.30 pm 2172.1; 4 pm 2171.7 (a) 11.03am (b) 09.06am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 4 | 75 | 27 |
| Corporations, Dominion and Foreign Bonds | 2 | 8 | 32 |
| Industrials | 374 | 251 | 962 |
| Financial and Properties | 177 | 75 | 409 |
| Oils | 31 | 14 | 49 |
| Plantations | 1 | 0 | 11 |
| Mines | 17 | 11 | 150 |
| Others | 109 | 37 | 109 |
| Totals | 715 | 471 | 1,749 |

### LONDON RECENT ISSUES

EQUITIES

| Issue Price | Amount Paid up | Latest Renunc. date | 1989 High | 1989 Low | Stock | Closing Price | + or - | Net Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §140 | F.P. | - | 175 | 140 | ♦Alan Paul 5p | 171 | +5 | L2.5 | 2.6 | 1.9 | 20.6 |
| 165 | F.P. | - | 213 | 198 | ♦Ball (A.H.) 5p | 213 | | L6.0 | 1.9 | 3.8 | 17.8 |
| §100 | F.P. | - | 126 | 108 | ♦Beaumore Intl. 10p | 118 | | L5.2 | 1.9 | 5.9 | 11.4 |
| 175 | F.P. | - | 201 | 185 | Butler Cox 5p | 196 | -1 | L4.0 | 2.5 | 2.7 | 18.3 |
| [illegible] | | | | | | | | | | | |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1989 High | 1989 Low | Stock | Closing Price £ | + or - |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

### RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1989 High | 1989 Low | Stock | Closing Price p | + or - |
|---|---|---|---|---|---|---|---|
| 9 | 6 | 8/9 | 9½pm | 7½pm | Bear Brand | 9½pm | |
| 62 | Nil | - | 8pm | 4pm | ♦Castle Hldgs. | 4pm | -1 |
| 61 | Nil | - | 11pm | 7½pm | Fife Indmar | 11pm | |
| 78 | Nil | - | 16pm | 9pm | ♦Midland & Scottish Resources | 15pm | -1 |
| 435 | Nil | - | 54pm | 50pm | RTZ 10p | 53pm | |
| 60 | Nil | 27/7 | 11pm | 8pm | Richardsons Westgarth 10p | 9pm | |
| 8 | Nil | - | ½pm | ¼pm | ♦Southwest Res. A 2p | ¼pm | |
| 115 | Nil | 18/7 | 6pm | 1pm | T & S Stores 5p | 1½pm | -½ |

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other official estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♦ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

### TRADITIONAL OPTIONS

● First Dealings Jun 12
● Last Dealings Jun 23
● Last Declarations Sep 14
● For settlement Sep 25

For rate indications see end of London Share Service

Calls in Tuskar Res, Amstrad, Citygate, Oliver Res, Bula, Delta, Norfolk Cap. P/C RHM

### LONDON TRADED OPTIONS

| Option | | Calls Jul | Calls Oct | Calls Jan | Puts Jul | Puts Oct | Puts Jan |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| Ladbroke (*588) | [illegible] | | | | | | |
| | 600 | 15 | 36 | 49 | 22 | 29 | 35 |
| | 650 | 3 | 16 | 28 | 65 | 65 | 72 |
| Land Secs (*585) | 550 | 43 | 65 | 80 | 3½ | 8 | 11 |
| | 600 | 11 | 33 | 48 | 22 | 28 | 30 |
| | 650 | 1½ | – | – | 68 | – | – |
| M & S (*192) | 180 | 16 | 24 | 28 | 1½ | 4 | 6 |
| | 200 | 3 | 10 | 16 | 10½ | 11½ | 12½ |
| STC (*368) | 330 | 44 | 56 | 69 | 1½ | 6½ | 11 |
| | 360 | 22 | 36 | 50 | 9 | 17 | 22 |
| | 390 | 7 | 22 | 34 | 27 | 33 | 35 |
| Sainsbury (*267) | 260 | 13 | 24 | 31 | 4 | 8 | 10 |
| | 280 | 4½ | 14 | 21 | 15 | 17 | 19 |
| Plessey (*263) | 240 | 29 | 38 | 42 | 1½ | 3 | 4½ |
| | 260 | 15 | 24 | 28 | 8 | 8½ | 9½ |
| | 280 | 4½ | 10 | 11 | 19 | 20 | 21 |
| Prudential (*175) | 160 | 19 | 24 | 29 | 3 | 4 | 5 |
| | 180 | 5 | 11 | 16 | 8 | 12 | 13 |
| | 200 | 2 | 4 | 7 | 27 | 27 | 28 |
| Racal (*502) | 500 | 32 | 58 | 76 | 20 | 29 | 37 |
| | 550 | 12 | 34 | 52 | 51 | 59 | 62 |
| | 600 | 4½ | 19 | 34 | 100 | 103 | 107 |
| R.T.Z. (*489) | 453 | 47 | 65 | 77 | 3 | 10 | 14 |
| | 493 | 19 | 35 | 52 | 17 | 25 | 30 |
| | 542 | 5 | 18 | 27 | 58 | 60 | 65 |
| Scot. & New (*335) | 330 | 17 | 28 | 37 | 16 | 19 | 25 |
| | 360 | 8 | 18 | 26 | 34 | 37 | 39 |

FT-SE INDEX [illegible]

June 21 Total Contracts 33,211 Calls 22,135 Puts 11,076 FT-SE Index Calls 3369 Puts 6661 *Underlying security price.

## UK COMPANY NEWS

More aggressive management approach being taken to improve group profitability

# Charter meets City forecasts with £67.7m

By Kenneth Gooding, Mining Correspondent

CHARTER CONSOLIDATED, the UK industrial holding group which is part of a worldwide network of companies under the influence of the Anglo American Corporation of South Africa, yesterday reported a 23 per cent increase to £67.71m in taxable profits for the year to March 31.

Earnings per share rose 20 per cent to 43.1p and the dividend is lifted 19 per cent to 17.25p (14.5p) via a proposed final of 12.5p.

Sir Michael Edwardes, who moved in as chairman last November when the Charter board was reconstituted, said: "We are confident about the prospects for realising Charter's potential and for achieving continued earnings growth for our shareholders."

He reported that the strategic review started at the time he joined would be finished soon but would take another year to implement. Already a more aggressive, hands-on management approach was being taken to improve group profitability.

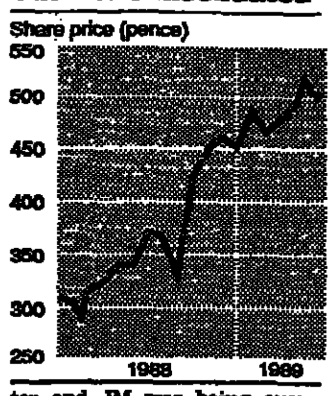
He gave little away about possible future relationships between Minorco, the Luxembourg-based investment company owned as to 60 per cent by Anglo and its sister company De Beers Consolidated Mines, and Charter or between Charter and Johnson Matthey, the precious metals marketing and refining company.

Minorco, where Sir Michael is chief executive, owns 36 per cent of Charter. Charter owns 38.9 per cent of JM. Some analysts expect Anglo to reshuffle these interests shortly.

However, Sir Michael said the board saw Charter "as having a long-term life of its own."

Mr David Davies, a former joint chairman of the Hill Samuel merchant bank who joined Charter as deputy chairman in December and subsequently became a JM director, said that the relationship between Charter and JM was being examined as part of the review.

**Charter Consolidated**




Sir Michael quickly listed the options. "We can buy some more shares. We can sell. We can stay as we are."

Mr Davies pointed out that the JM shareholding represented half of Charter's current market capitalisation of about £530m and said Charter was taking a "close interest" in both JM's short-term profit performance and its long-term strategy.

Mr Richard Wakeling, acting chief executive, said that the first steps in the strategic review had involved the sale of the Shand Construction Group; sale of a 50 per cent stake in Cleveland Potash; a head office reorganisation which had cut the staff from 120 to 25, and a new divisional structure.

Operating profits from the newly-formed divisions included £26m, up 19 per cent, from the industrial division, £3.1m, up 54 per cent, from the mining and quarrying division, £20.5m, also up 54 per cent, from the finance division, and a £24.5m contribution from JM, an 8 per cent improvement.

JM and the other major quoted subsidiary, Cape Industries, (74 per cent owned by Charter) have already separately reported their results.

The results were in line with market expectations and Chater shares moved up 2p to 505p. This compares with the company's own net asset value estimate of 616p per share, including £120m of cash.

● Anderson Strathclyde, Charter's mining and industrial equipment subsidiary, recorded pre-tax profits of £5.53m over the same period – a rise of 32 per cent on the previous year.

Substantial reorganisation is still being carried out at the group. During the year, provisions for restructuring were taken below the line as an extraordinary debit of £12.17m (£9m). The directors said that "further significant changes in the group's activities were required" – a programme that was expected to cost a further £8.3m after tax relief.

Turnover amounted to £131m (£125.05m). Earnings per share were 7.4p (5.9p).

See Lex

# Lynton head receives £690,000 for 9 months since sale to BAA

By David Waller

THE MANAGING director of Lynton, the property company bought last summer by BAA, was paid £690,000 in the first nine months that Lynton came under the airport operator's ownership. That compared to the £80,000-£85,000 he was paid in the whole of the previous year.

Details of Mr Gordon Edington's salary are to be found in BAA's annual report, published this week. This shows also that Mr Maurice Lambert, chairman of Lynton, was paid between £220,000 and £225,000 for the nine-month period, against just £74,000 in the previous year.

Mr Nigel Ellis, BAA's finance director, said yesterday that he would very much like to have the same sort of package as Mr Edington and Mr Lambert. He explained that their salaries were tied to Lynton's performance, both in terms of profits and asset growth.

"This was arranged when we bought the company last summer," Mr Ellis said. "We wanted to make sure that it remained an entrepreneurial business so that we would not lose its senior staff. The agreement lasts three years, by which time we hope that it would be a disaster for us if the top people walked away."

BAA's report shows that Lynton's pre-tax profits rose by 38 per cent from £5.9m to £8.2m over the whole year to March 1989. However, Lynton's results were only consolidated in BAA's figures for nine months.

Lynton's total contribution to BAA's £198m operating profits accounted for the bulk of the £18m coming from property activities, including an £11m disposal profit.

Lynton's net assets over the year climbed from £215m to £452m, but that included a £100m transfer of property assets from BAA's own portfolio.

Mr Ellis said that the Lynton package was geared to the success of a number of individual schemes, rather than the company's asset growth as a whole. "It so happens that all of [Mr Edington's] schemes were spectacularly successful last year," Mr Ellis said.

He suggested that it would be difficult to keep up such a performance and therefore that Mr Edington's pay would be "erratic" over the three-year period, and pointed out that Mr Edington's remuneration deal was more highly "geared" than that of Mr Lambert.

Their salaries eclipsed those of BAA's chairman, Sir Norman Payne, who received £258,000 against £151,000, while Mr Jeremy Marshall, BAA's chief executive, upped his pay to between £170,000 and £175,000.

Although Mr Marshall was not in the UK yesterday, he left a statement indicating that the pay rises were appropriate to the property industry and tied to Lynton's performance since it was acquired for £230m last summer.

Last week, when the company reported a 19 per cent rise in pre-tax profits to £198m, Mr Marshall said that the purchase of Lynton had been a "resounding success".

Analysts recognise that BAA, with 11,200 acres of land at its disposal, has vast property development potential, but Mr Edington's pay related solely to Lynton. Unlike Mr Lambert, he is not even a director of BAA.

# Predators Bermudan injunction criticised in Sea Containers bid

By Andrew Hill

THE WASHINGTON DC court which froze the $824m bid for Sea Containers, the ferry and container group, has criticised the Bermuda courts for intervening in federal securities law.

The Bermuda Supreme Court granted an interim injunction to predators Stena, a Swedish ferry operator, and Tiphook, the UK container rental company, nearly three weeks ago. It prevents Sea Containers' subsidiaries from buying further shares in the parent company until July 3, when the preliminary issues will be heard.

But Judge John Garrett Penn said in his Washington ruling, which prevents Stena and Tiphook from pursuing their bid, that Bermuda had "overstepped the bounds and, in effect, sought to remove jurisdiction over this case from this court and the Court of Appeals".

Sea Containers is registered in Bermuda, although its principal operations and headquarters are in the UK and most of its shares are held in the US, where the bid was launched.

Judge Penn said he had frozen the Stena/Tiphook bid to "maintain the status quo" in the bid battle. The judge added that the original Bermuda ruling had left Stena and Tiphook free to continue their offer, "while Sea Containers was left dead in the water without any means of defending against a takeover."

Both predators are appealing against the Washington injunction and against Sea Containers' claims that Monday's Tiphook EGM to approve a right issue was in contempt of court.

Meanwhile, New York arbitrageurs, who hold some 15 per cent of Sea Containers' equity, seem to be increasingly nervous about the price of the stock. The shares are trading at more than $72 each, against the bid price of $50.

Mr James Sherwood, Sea Containers' forthright president, has outlined defence plans which he says could realise $70 to $100 per share for investors.

In a filing to the Securities and Exchange Commission, Sea Containers said yesterday it had discussed with interested parties the possibility of a leveraged buy-out or an acquisition of shares in the company.

## Booth Inds advances 90% to £616,448

Booth Industries, the Lancashire-based structural steel fabricator, saw pre-tax profits rise 90 per cent in the year to March 31. From £325,148 last time, they moved up to £616,448, and were achieved on turnover increased 55 per cent from £18.02m to £27.84m.

After tax almost doubled at £222,766 (£119,794), earnings were up at 9.99p (5.3p). The directors have proposed a final dividend of 1.6p for a total of 2.2p (1.375p).

# Kleinwort Benson sells two bullion processors

By John Thornhill

KLEINWORT BENSON, the UK merchant bank, has sold two bullion processing subsidiaries to a management buy-out team for £2.4m in cash.

The two bullion manufacturers, J.S. Knight & Son and Edward Day & Baker, previously formed part of Sharps Pixley, Kleinwort's bullion broking and dealing company. The sale of the two businesses will not affect the remaining metal dealing activities of the Sharps Pixley group.

The managers of the two processors, who first approached Kleinwort about the possible purchase around a year ago, have formed a joint company, Knight and Day.

Knight and Day reported combined pre-tax profits of £370,000 on turnover of £46.4m in 1988 and had net assets of £2.78m at the year end.

Kleinwort will retain an option in Knight and Day which may be exercised at any stage until five years after the completion of the acquisition.

Of the £2.4m consideration, £1.55m was paid on completion and additional payments totalling £850,000 will be made over the next three years.

## Attwoods US expansion

ATTWOODS, waste management group, yesterday announced that it was extending its coverage in the US with the acquisition of Atlantic Disposal Services for $19m (£12.26m), writes Vanessa Houlder.

Atlantic operates a solid waste transfer facility and 19 waste collection routes in southern New Jersey. These are immediately adjacent to those of National Waste Disposal, which Attwoods agreed to acquire earlier this year. The two businesses will be integrated where possible, Attwoods said.

Atlantic made pre-tax profits in 1988 of about $2.1m, and has net assets of about $5.8m.

# Plessey chief in £92,000 pay cut

By Terry Dodsworth, Industrial Editor

SIR JOHN Clark, chairman and chief executive of the embattled Plessey electronics group, received a pay cut last year of £92,000.

The reduction in Sir John's remuneration, from £391,956 to £299,872, came from the elimination of a special payment in the previous year. According to the company, a fairer comparison to last year's payment was the £237,000 he received in the year to March 1987.

The big jump in Sir John's emoluments in the 1987-88 financial year resulted from payments to cover additional tax charges levied by the Inland Revenue. This arose because the tax authorities insisted on reclassifying travel expenses incurred by Sir John between 1980 and 1987 as taxable salary.

Plessey's report and accounts, published yesterday, come at a time when the company is expected to receive a renewed takeover offer from the General Electric Company, and Siemens of West Germany.

They show that shareholdings in Sir John's name fell during the year to March 31 by about 100,000 shares to 782,187. The sale of these holdings, the company said, was entirely due to disposals by trustees of shares held in family trusts.

A further sale of 24,500 of Sir John's shares between the year-end and May 20 was due to disposals "by trustees of certain remote family interests", the accounts stated.

In common with a number of other directors, Sir John's share options jumped sharply last year, going up from 100,000 to 533,700. This increase was due to a change in company policy to allow officers to increase their options to the maximum allowed under Inland Revenue rules.

Plessey stressed yesterday that all these options were taken up well before the GEC/Siemens bid for the group was launched last November. They would have been priced, the company said, at the existing share price when the options were granted.

At the time of the GEC/Siemens offer, Plessey shares were trading at 174.5p, but since then they have jumped sharply in value, closing last night at 263p.

## Anglesey Mining

Kleinwort Benson Investment Management has acquired 6.1 per cent of Anglesey Mining, which hopes to re-open the base metals mine at Parys Mountain, north Wales.

## Kuwait Investment

The Kuwait Investment Office has reduced its stake in British Empire Securities and General Trust from 12.18 per cent to just under 10 per cent.

## UK COMPANY NEWS

# Robert Horne held to £7.72m

By John Ridding

A SLOWDOWN in the growth of paper sales limited Robert Horne, paper merchant, to pre-tax profits of £7.72m for the six months to the end of March, an increase of 10.1 per cent.

Turnover rose from £89.58m to £105.18m and earnings per *share rose from 13.71p to* 15.11p.

Sir Kenneth Berrill, chairman, said that in spite of the increase, the performance was not as good as the record profits of £8.3m achieved in the six months to the end of September 1988, when volumes and margins saw good improvements.

He said that those unusually favourable conditions did not carry on into the current calendar year. In addition, the cost of the group's investments in computing, warehousing and acquisitions caused a swing in interest payments from £221,000 received to £280,000 charged.

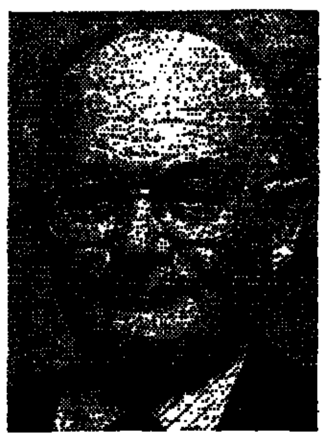
The company said that there had been no change in the market situation during the opening months of the second half and that as a result they "considered it prudent" to maintain the interim dividend at 2.5p.

The remainder of the group's businesses experienced mixed fortunes. According to Mr Michael Bairstow, managing director, Truitte, manufacturer of industrial fasteners, was affected by higher interest rates and saw "a slight shortfall in profits".

Atkins and Cripps, the hardwood importer also saw a "modest profits decline" because of start up costs at its new Plymouth operation.

The office products division, which comprises three companies acquired in 1988, and which is in the process of reorganisation, made a marginal contribution. The company said that when the restructuring is complete the division "will add materially to growth and profitability".

The various investments and acquisitions resulted in an increase in gearing from about 8 per cent to 20 per cent.



Sir Kenneth Berrill: unusually favourable conditions did not carry on into 1989

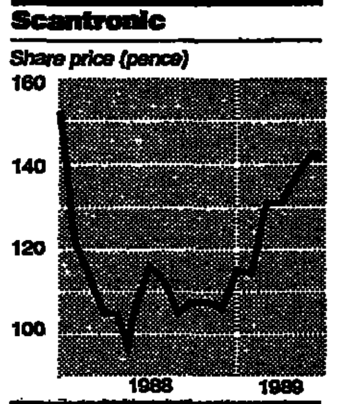
● **COMMENT**

Over the past few years Robert Horne's earnings growth has hovered around 20 per cent. But this year the brakes are being applied. Although a 10 per cent rise at the interim stage is perfectly respectable, the second half boost, so noticeable last year, is unlikely to materialise. The extent of the slowdown in the growth of paper sales is difficult to gauge. The softening of the markets may only be a lull, a view which is supported by the continued strength of paper consumption. But equally, the slowdown may presage the passing of the peak in what has tended to be a cyclical market. The cushion of diversification does not yet have many beans in it, and with the continued costs of investments coming through, the full year is unlikely to see much improvement. Assuming pre-tax profits of £16.5m, about £1m less than original forecasts, the 'A' shares are on a prospective multiple of 9. Following yesterday's note of caution this is likely to slip back, although support is provided by the prospect of investment benefits coming through next year.

# Scantronic doubles to £4.4m

By Andrew Hill

SCANTRONIC HOLDINGS, a manufacturer of control and data communication equipment for the security industry, more than doubled pre-tax profits in the year to March 31, making £4.42m, against £2.05m in 1987-88.




The group, 27.5 per cent owned by Automated Security (Holdings), said profits had been boosted as it expanded in existing markets.

Mr Chris Brookes, chief executive, said the main benefits of acquisitions during the year would come through in 1989-90.

Turnover increased from £16.07m to £29.04m and fully diluted earnings per share rose from 5.35p to 7.76p.

The recommended final dividend is 1.6p, making 2.15p (1.6p) for the year.

Last year's acquisitions included Systal, a French distributor of security products, and Scantronic's first move into the US through the purchase of Acron, which designs and makes burglar and fire alarm systems.

Scantronic also bought ATG-Thrust, Automated Security's radio and intruder alarm manufacturing operation, last April and spent £4m on buying a 20 per cent stake in Gardiner Group, a distributor of security products. Automated Security bought another 20 per cent of Gardiner.

"At the moment we are not looking to make any acquisitions, we are looking to capitalise on what we have bought in the last 12 months. We especially want to build in the US," said Mr Brookes yesterday.

He added that there would be no further share issues for at least nine months: "We have issued a lot of paper and still *made a very healthy earnings* per share return," he said.

Control panels and data communication equipment now account for about 75 per cent of turnover, while radio links and detection equipment made up the balance.

Scantronic has also launched its own fire protection systems, which Mr Brookes said could boost the 10 per cent of turnover coming from non-security products like radio alarms for old people.

● **COMMENT**

There should be more strong growth from Scantronic next year as it begins to consolidate the host of acquisitions in 1988-89. The strategy certainly looks sound. The core business is still the manufacture of security products, with plant in the UK and US backed up by sales campaigns direct to users. Distribution interests are restricted to the fragmented European market, where Scantronic products made in the UK are packaged to be acceptable to local consumers. But now the group is spread widely across two continents, its comparative lack of experience in running large subsidiaries outside the UK – the market on which Scantronic pins its hopes for future expansion – worries some observers. Forecast pre-tax profits of some £6.5m in 1989-90 put the shares, which slipped 2p to 141p yesterday, on a prospective multiple of about 15. Backed up by solid products, the company's shares look fairly valued at that price.

# S Montagu buys 5m Gateway

By Nikki Tait

Samuel Montagu, which is acting as joint adviser to Newgateway, the new company making a £2bn recommended leveraged offer for Gateway, yesterday confirmed that it picked up 5m shares in the food retailer on Tuesday. The shares were acquired for Samuel Montagu's own account at 223p a share – slightly below the Newgateway offer price of 225p a share.

Meanwhile, there was no further word from Isosceles, which already has a £1.87bn offer for Gateway on the table. This had been declared final and was due to reach its final close at lunchtime today.

## Correction

## Staveley Inds

In the comment which accompanied the full-year figures of Staveley Industries, published in the edition of June 16, the pre-tax profit forecast for *1989-90 should have* read £24m. On this basis, the prospective multiple of 9 was correct as published.

# Young's chairman attacks MMC report on brewing industry

By Lisa Wood

THE BRITISH brewing industry would be ruptured in the run-up to the creation of the single European market if controversial recommendations are implemented by the Government, it was claimed by Young & Co, the London brewer.

Mr John Young, chairman, *was commenting* in his group's annual report on the recommendations, made by the Monopolies and Mergers Commission.

Mr Young said, he, like many other small brewers, had given the report *a cautious* welcome when it was published in March. "Detailed study of these pages revealed a set of interventionist proposals totally alien to Britain," he said.

*He added that if the Commis*sion's proposal to put a ceiling of 2,000 on the number of pubs owned by any one brewer was implemented some large brewers were likely to opt out of brewing in Britain and their production *facilities* would almost certainly be bought up by overseas groups such as Anheuser-Busch, Heineken, San Miguel, Labatt, Sapporo and Kirin. "All waiting and planning for such an opportunity," said Mr Young.

He said these foreign companies operated on a very narrow range of products, normally two or three *lagers*. "None of them currently brews ale and all would be aghast at the prospect of brewing the dozen or so beers we produce at Wandsworth, never mind the 50 or 60 ales, lagers and stouts brewed by each of the big six brewers".

Mr Young recommended that the Government should ask the large brewers to reduce their holding of pubs in any one licensing area to say, one *third of the* total by *swapping* pubs with other brewers.

He made criticism of proposal to bring pub tenancies within the provisions of the 1954 Landlord and Tenant Act. This, he said, would lead to brewers losing control over the choice of licensee because tenants would be free to assign leases to third parties.

The Government, he stated, should instead get the trade protection organisations representing the licensees to agree to a new code of security of tenure which could be ratified by the Department of Trade and Industry and could contain the safeguards demanded by both sides.

# Another potential bidder for Lambert founders

By John Thornhill

ANOTHER POTENTIAL bidder has foundered in its attempts to reach a recommended offer for Lambert Howarth, the Burnley-based footwear and luggage group.

In a short statement to the Stock Exchange on Tuesday, Lambert confirmed it had been in talks with a third party which might have led to an offer being made. But "terms could not be agreed and these discussions have now terminated."

Lambert's shares were suspended at 187p last Thursday at the company's request, but on the re-commencement *of trading at 3.30 pm on Tues*day the shares dropped sharply before recovering to 180p. They firmed 2p to 182p yesterday.

The collapse of this possible offer follows the abandonment of a bid by Peter Black, the consumer goods manufacturer and distributor, earlier this month.

Mr Martin Jourdan, Lambert chairman, would not disclose who the potential bidder was. But he added that Lambert would now try to make certain that the profit forecast for the current year of £1.25m - made at the time of the Black offer - would be met.

City speculation suggested that the possible offer might have been made by Futura *Holdings*, a *Manchester-based* manufacturer and distributor, at a price above 215p for each Lambert share.



## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Booth Inds ............fin | 1.6 | - | 1 | 2.2 | 1.375* |
| *Bradford Prop .........fin* | *7.5* | *Aug 4* | *7* | *14* | 12.5 |
| Charter Cons ...........fin | 12.5 | - | 10.25 | 17.25 | 14.5 |
| Horne (Robert) .........int | 2.5 | - | 2.5 | - | 8.25 |
| Latham (James) .......fin | 6.75 | - | 6 | 10.75 | 9.5 |
| Mountview Ests ........fin | 7.5 | - | 7.5 | 9.5 | 8.5 |
| Osborne & Little........fin | 3.8 | - | 3.3 | 5.8 | 5 |
| Quiligotti § ..............fin | 0.17 | - | - | 0.17 | - |
| Scantronic ...............fin | 1.6 | Aug 18 | 1.17 | 2.15† | 1.6 |
| *TR Australia Inv........int* | *2‡* | *Aug 11* | - | - | 3.25 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Second interim (includes special dividend of 1p)

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's *timetables*.

TODAY

Interims- Anglia TV, Kemp (PE), Lee (Arthur). Trillion.

Finals- CH Inds, Drummond, ERF, IWP Intl. Penny & Giles, Rothmans Intl, Sterling Inds.

FUTURE DATES

| | |
|---|---|
| **Interims-** | |
| Free State Cons Gold Mine.............. | July 20 |
| SEP Industrial ............................ | June 27 |
| Transvaal Gold Mining .................. | July 20 |
| **Finals-** | |
| ASDA ......................................... | June 30 |
| Campbell & Armstrong .................. | June 28 |
| Equity & Law ............................... | Sep. 9 |
| Goodman ..................................... | June 28 |
| Stoddard Sekers ........................... | June 29 |
| Sutcliffe Speakman ....................... | June 28 |





## COMPANY NOTICES

# UK COMPANY NEWS

## Linacre to sue Merrill after clearance by DTI

By Clay Harris

MR PETER Linacre, chairman of the fast-growing waste disposal company Caird Group, plans to start legal action against his former employer, Merrill Lynch, after being cleared of possible insider dealing by a Department of Trade and Industry investigation.

Mr Linacre was dismissed as an equity salesman by Merrill in December 1986, after allegedly breaking internal rules on dealings for transactions two months earlier in the shares of Grand Central Investment Holdings, a food production and distribution company.

The US securities house passed details to the Stock Exchange, and the DTI announced the appointment of inspectors under Section 177 of the 1986 Financial Services Act on November 17 1987. This week, however, the DTI said there would be no prosecution after the report by inspectors Mr Timothy Nash, a barrister, and Mr Deryck Botterill, an accountant.

Mr Linacre said yesterday: "I will now be seeking redress from Merrill Lynch who I believe behaved wrongly." Mr Linacre admits he dealt on his own account in Grand Central shares shortly before a share placing by the company, and that he made a profit of a few thousand pounds on the disposal.

However, he says the transactions were done openly, through Merrill Lynch itself, and were intended to facilitate the placing by Grand Central, which was a Merrill client.

Although Merrill declined to comment on Mr Linacre's stated intention to commence proceedings, a spokesman said yesterday: "We have very strict rules governing the dealing in securities by employees. If employees violate the rules, they are at risk of leaving the firm."

After his dismissal by Merrill, Mr Linacre subsequently took the chair at Caird which has been transformed from a sleepy Scottish-based property investment company into one of the leading waste disposal operators in the UK.

When the investigation was announced, the DTI said it was taking the rare step of naming Mr Linacre because the probe could affect Caird's shares. On the day, they dropped 20p to 155p, but they have subsequently risen to 549p, outperforming the FT-A All Share index over the period by more than 150 per cent.

Simultaneously giving its latest status report on similar inquiries, the DTI said there were 12 other insider dealing investigations being conducted by inspectors; three other investigations; 12 being considered for investigation; and eight cases where criminal proceedings had begun.

## Latham up 16% as Newarthill arm takes 7.1% stake

Taxable profits of James Latham, the timber merchant, expanded 16 per cent to £2.99m in the year to March 31 1989.

The increase from the previous year's £2.59m was struck on turnover of £58.87m (£53.71m). Earnings per £1 share worked through at 38.79p (39.4p) and a proposed final dividend of 6.75p makes 10.75p (9.5p) for the year.

The directors said that group sales since the year-end had been encouraging and up to expectations.

● Ninegrade, a wholly-owned subsidiary of Newarthill, the civil engineering company, has bought a 7.1 per cent stake in Latham.

Mr Christopher Latham, chairman, said that Ninegrade had informed him the stake was friendly. He said that with the family controlling between 55 and 60 per cent of the shares "there was no reason to be fussed".

A spokesman for Ninegrade said that the move was a trade investment and that "it was positively not Newarthill's policy to take over other companies".

Shares in James Latham closed 10p up yesterday at 340p.

## Quiligotti up 56% to £2.34m

Quiligotti, the maker and installer of terrazzo floor tiles which came to the USM in March, reported a 56 per cent improvement in pre-tax profits for the year ended March 31.

On turnover 15 per cent ahead to £17.75m (£15.38m) the taxable result was £2.34m against £1.5m.

A maiden final dividend of 0.17p is proposed, payable from earnings per 5p share of 5.7p (4.3p).

Directors said the company was currently examining a number of expansion and acquisition opportunities.

As a result of the rationalisation programme there was an extraordinary loss of £110,951.

## Molyneux Estates to join USM valued at £10m

By Vanessa Houlder

MOLYNEUX ESTATES, a commercial property investment company, is joining the Unlisted Securities Market via a placing that values it at £10m.

The company was founded in 1978, although its subsidiary Cambridge started business two years earlier. Its chief business is investing in retail, office, warehouse and industrial properties, which are then managed by David Lewis & Partners, a property management company.

The company has seven properties in Cambridge, Cheshire, Essex, London and Surrey. The company estimates that rent reviews and reversions will increase the net rental income from its existing value of £734,000 to £1.14m over the next five years.

The placing will raise about £4.6m, which the company will use to expand its property portfolio. The company also expects to deploy long-term fixed interest loans raised on the enlarged portfolio.

Guidehouse Securities is placing 9m shares at 55p each, amounting to 49.5 per cent of the enlarged share capital. The pro-forma net assets total £10.9m and the net asset value per share is 60p. Dealings are expected to start on June 26.

## Center Parcs equity sale

By Lisa Wood

CENTER PARCS, the Dutch leisure group, said it was still discussing the sale of 60 per cent of its equity with several UK and Continental companies.

Negotiations over the sale of the stake in Center Parcs have been proceeding for some weeks with speculation in the UK that Scottish & Newcastle Breweries is one of the suitors. The brewer declined to comment.

Center Parcs has confirmed that no decision has yet been taken about the sale, and an announcement is not likely for some weeks.

Price, said Center Parcs was only one of the considerations being taken into account in the proposed sale.

Center Parcs said its management wanted to preserve the identity of the business and guarantee the company's future plans for expansion.

Industry observers believe S & N would want to combine Center Parcs with Pontin's, the holiday camp company in which it has a 50 per cent stake.

## COMPANY NEWS IN BRIEF

BREMHILL INDUSTRIES has acquired Steve Ward Carpets for £2.02m, of which £1.77m is payable on completion and £250,000 on January 31 1990. The company has also confirmed receipt of £3.84m following an open offer to shareholders. The offer was for new preference shares at 100p per share.

BROOKMOUNT: FSM has received further irrevocable undertakings in respect of its cash offers for the issued ordinary and convertible share capital of Brookmount. FSM has now received irrevocable undertakings in respect of 8.31m ordinary (61 per cent) and the whole of the issued convertible capital.

BRUNNER INVESTMENT Trust: net asset value at June 16 1989 was 184.7p.

CCS GROUP, which supplies specialist contract labour to the building industry, has announced a series of acquisitions, its first since joining the USM in April. It has bought Trumper Bros, a plasterwork specialist, for £350,000; P & D Security Services, which installs alarm systems, for £30,000; Discount Ceramics, a tiling contractor, for £55,000, and Warwickshire Heating and Plumbing Services for £20,000.

COMCORP, financial PR and marketing consultancy traded under Rule 535 (2): pre-tax profits for year to December 31 £245,000 (loss £17,000); turnover up 28 per cent to £1.4m; earnings per share 2.02p; recommended maiden dividend 0.2p. It is proposed to change company name to MMI.

CONDER GROUP is to buy Jordan and Sons, supplier of prefabricated modules for toilets, bathrooms, lift shafts and plant rooms, for a maximum £3.08m.

GRAHAM WOOD, a structural steel group which came to the main market in January, has been appointed contractor for the £7m steel framework on the Westminster & Chelsea Hospital, the 650 bed teaching hospital to be built on the site of the St StephensHospital in London's Fulham Road.

HARDING GROUP: At the AGM Mr Dennis Harding, chairman, told shareholders that trading for the first five months in the Earthspan division had increased compared with the same period in 1988, without any further deterioration of margins compared with Autumn 1988. Trading within the distribution division also continued to make good progress.

HELLENIC and GENERAL TRUST (a wholly-owned subsidiary of Hambros) Revenue £634,781 (£561,343), and interest receivable from group companies £580,944 (£878,667). Administration expenses amounted to £4,385 (£3,531), interest payable £16,850 (same) and investment gains £287,291 (£453,163) leaving pre-tax profit of £1.48m (£1.87m).

LEADING LEISURE has purchased a 75 per cent interest in W Industries for £43,000 to be satisfied by the issue of 19,186 new ordinary shares and £26,500 cash. An additional maximum consideration of £80,000 in shares is payable in one year if certain performance criteria are achieved.

MERCHANTS TRUST: net asset value at June 16 1989 was 212.2p.

MS CASH & Carry: Fitzwilton has received valid acceptances for its recommended cash offer in respect of 5m shares (59.6 per cent). The offer, which remains open for acceptance until 3pm on June 30, has been declared unconditional.

PLANNING RESEARCH and Systems has acquired a long-established publisher of books on luxury and specialist cars for £200,000 in cash.

PORTH GROUP has acquired Framemaker Products for an initial consideration of £1.6m to be satisfied by the issue of 1.58m new ordinary, 1.18m of which will be placed at 1.02p per share. Further consideration may be payable dependent on Framemaker's future performance.

RITZ DESIGN Group has agreed to acquire Fantasie Textiles and Fantasie Foundations for an aggregate £3.08m in cash on completion. Combined net profits of the Fantasie companies for the year to March 31 were £375,755, and warranted net assets at that date were at least £3.1m.

TRIANGLE TRUST: Shearson Lehman Hutton have appointed to act as brokers to the company. Mr John Vessey has retired from the board.

WYNDHAM GROUP has entered into an unconditional contract to sell a portfolio of properties in Cardiff for £3m in cash on completion. Net profit, after costs of £1.08m, will fund future investments.

## CEI sells Labgear subsidiary for £5.62m

By John Thornhill

CAMBRIDGE ELECTRONIC Industries, the component and instrumentation group, is continuing to refocus its businesses by selling its Labgear Cablevision subsidiary for £5.62m cash.

The buyer is Teleste Oy, a subsidiary of Sponsor Oy, a Finnish public company.

Labgear makes equipment for the reception and distribution of radio, television and data signals. In 1988, Labgear made operating profits of £863,000 on sales of £6.08m.

Last month, CEI's share price fell 22p to 221p when Mr John Jackson, chairman, told shareholders at the company's annual meeting that he viewed the outlook for the first half of 1989 with some caution.

At that time, he outlined a programme of disposals, saying that the money raised from these sales would be used to concentrate on CEI's core activities.

Labgear was one of three companies included in this disposal programme. The other two were Ajax Machine Tools and Belling Lee Intec, a fibre optics products manufacturer. CEI has also made a series of acquisitions in recent months strengthening its positions in the relay, medical electronics and capacitor manufacturing fields.

CEI's share price rose 3p to 203p on yesterday's announcement.

## Beecham

The Secretary of State for Trade and Industry has decided not to refer the proposed between Beecham Group and SmithKline Corporation to the Monopolies and Mergers Commission.

## Trace Computers coming to market with £16.1m value

By Vanessa Houlder

TRACE COMPUTERS, a supplier of computer software and related services, is coming to the main market via a placing which values it at £16.1m.

The company was founded in 1974 by its joint managing directors, Colin Clarke and Richard Wolfe, who were previously employees of Unisys, then known as Burroughs.

After initially concentrating on bespoke software for clients using Unisys equipment, it went on to specialise in packages for property management agencies and insurance brokers. Sales in these two markets accounted for about 43 per cent of sales in the year ended May 31.

Trace has recently directed its attention to bespoke software development work for banks, building societies and loss adjusters. This work accounts for about a quarter of turnover.

The balance of group turnover is derived from the supply of hardware, computer stationery, network design and installation and software support and maintenance. It has also recently agreed to buy Prospect Holdings, which provides computer consultancy and recruitment services.

Mr Clarke said that the company's goal was to seek other vertical markets. It also aimed to widen the range of services offered, starting with a move into hardware leasing.

Pre-tax profits for the year to May 31 1989 are estimated to be £1.7m (£1.02m) on turnover of £9.75m (£6.23m). Earnings per share have risen from 1p in 1984 to an estimated 9.9p in 1989. However in 1986 earnings fell from 1.3p to 1.2p as a result of losses made by Wordflow Electronic Office Services, an acquisition made in 1985.

Brown Shipley is placing 3.29m shares in the company at 125p per share, which will account for 25.5 per cent of the company. The broker to the issue is Laurence Prust. The prospective price/earnings multiple is 12.6. Dealings are expected to start on June 29. Following the placing, the joint managing directors will retain an interest of 46.9 per cent

The company is raising £2.46m after expenses, which will initially be used to repay the majority of the borrowings taken on for the purchase and redevelopment of new premises.

## Rank expands in US with £5m acquisition

By John Ridding

RANK ORGANISATION, the leisure and entertainments group, is expanding its US video distribution business through the acquisition of Olympia Record Industries for £5m in cash.

Rank currently supplies over 2,000 US retail stores with video cassettes.

The acquisition will bring an additional 750 stores into its cycle, including Woolworths and Sears Roebuck outlets.

Rank declined to give details about the new company's results but said that Mr Ervin Litkei, the present owner, will remain as consultant to the business and that the current management will remain in place.

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# Rowland-Jones back as chairman of Bremner

By Clay Harris

PERSISTENCE HAS finally paid off for Mr James Rowland-Jones. His return as chairman of Bremner, 17 months after being voted out of the position, marks a full turn of the wheel at the Scottish stockbroking and property investment company which has been riven by boardroom disputes for several years.

Mr Rowland-Jones was co-opted as a director and named chairman-designate on Tuesday after a 3½-hour board meeting in Glasgow. His appointment apparently did not have the support of Mr Dennis McGuinness, the outgoing chairman and a long-time rival of Mr Rowland-Jones.

Mr McGuinness, who remains on the board to look after the affairs of Bremner's Carswell & Co stockbroking subsidiary, would not comment yesterday. He said, however, that he would be making a statement in due course, probably today.

The return of Mr Rowland-Jones, who previously served as chairman from May 1986 to January 1988, means that Bremner will not proceed with the proposed sale of a Glasgow department site for £2.5m to the Scottish retailer What Everyone Wants. Mr McGuinness had supported the sale.

On the other hand, Mr Rowland-Jones said Bremner should seek the highest price and insisted that more than £3m was achievable. He had signalled his intention to lead opposition to the disposal at an extraordinary general meeting.

While Mr Rowland-Jones said "subsequent events have proved what vision I had," the stock market was less enchanted with the prospects of his return. Bremner shares fell 10p to 93p.

With 13.9 per cent, Mr Rowland-Jones and his family trusts control the largest single shareholding in Bremner.

Mr Rowland-Jones's return was marked by the resignation as a director of Mr Hugh Laughland "to concentrate on his other business interests." Mr Laughland had been voted on to the board at the same shareholders' meeting in January 1988 which removed Mr Rowland-Jones.

Afterwards, Mr Rowland-Jones twice tried unsuccessfully – most recently in April – to win his seat back. He has kept up a steady flow of circulars, marked by colourful language, to shareholders.

Bremner said yesterday that it hoped the board changes would allow "certain outstanding legal matters to be resolved extra-judicially." Chief among these is believed to be a dispute between Mr Rowland-Jones and the company arising from his previous departure.

Mr Michael Bracegirdle, a Scottish industrialist who joined the Bremner board in April, has been named deputy chairman.

# Coalite hits out at Anglo's earnings and dividends record

By David Waller

COALITE, the fuel distribution, waste management and quarrying group facing an unwelcome £427m leveraged bid from Anglo United, went on the offensive again yesterday.

It sent its shareholders a circular defending its strategy of diversifying away from fuel distribution and hitting out at Anglo's own record.

Coalite pointed to Anglo's recent earnings record – which included a lurch into losses in 1984 – and condemned the company's failure to pay dividends in 1984 and 1985.

"With such a lamentable record," the circular urged, "it is not surprising that Anglo United is making such an inadequate offer for your shares."

As far as its own record was concerned, Coalite reiterated its argument that its 13-year record of unbroken profits and dividends growth spoke for itself.

The 13 per cent increase in earnings in 1988/89 – which many analysts attributed to a lower-than-expected tax bill – was hailed as a considerable achievement in the light of the exceptionally mild winter.

Mr David McErlain, chairman of the much smaller Anglo, indicated that he thought there was nothing new in Coalite's latest missive.

His intention would be to sell off Coalite's non-core businesses and merge its fuel distribution activities with those of Anglo.

Coalite demonstrated again in yesterday's report that the non-core businesses – in waste management and quarrying, for example – are growing more rapidly than the fuel activities and that they have higher margins.

Accordingly, Coalite has argued, it would be foolish to get rid of them. It has contended that Anglo's strategy is determined solely by the requirements of its bankers.

Coalite's shares dropped 2p to 449p yesterday, well above the 425p cash offer.

# Hillsdown buys pickles arm from Unilever

By Nikki Tait

HILLSDOWN HOLDINGS, the food, furniture and property group, yesterday announced that it was moving into the sour pickle market with the purchase of Haywards Pickles from Brooke Bond Foods, a subsidiary of Unilever.

No sale price was disclosed, but the consideration takes the form of a single cash payment and the sale is due to be finalised on July 3.

Haywards Pickles claims to be the brand leader in the UK pickle market. It estimates its own market share at 14 per cent and suggests that the total UK sour pickle market, much of which is fragmented, is worth £55m. Haywards annual turnover, according to Hillsdown, is in the £9m-£10m range.

Yesterday, Brooke Bond said that it believed Haywards future would be better served as part of an organisation "more directly engaged in the handling of fresh vegetables and in the packing of products in all sectors of the pickle market."

The Haywards business is centred at Bury St Edmunds, Suffolk, where its factory employs some 150 people.

# Dowty makes $5.8m US buy

By Vanessa Houlder

DOWTY GROUP, engineering and electronics company, has ventured further into the anti-submarine warfare business with the acquisition of the Los Angeles-based Resdel Engineering Corporation for $5.8m (£3.8m).

Resdel, a subsidiary of Resdel Industries, will help Dowty consolidate its position in the market for worldwide sonobuoy receivers – which establish the position of submarines through picking up signals deflected from a transmitter.

Resdel specialises in aircraft applications and is expected to complement Dowty's existing business of supplying receivers for helicopters through its Dowty Maritime Systems subsidiary.

Mr Colin Cocks, managing director of Dowty Electronic Systems division, said the deal would enable Dowty to take a leading market share in the world sonobuoy receiver market, which is expected to be close to $500m over the next decade.

The payment, which may be adjusted in line with the assets acquired, will be financed by a vendor placing of 1.3m new shares, representing 0.5 per cent of the enlarged share capital and by a cash payment of $0.3m (£0.2m).

Sales of Resdel Engineering were $17.8m (£11.6m) for the year ended June 30. It has 160 employees, all based in Los Angeles.

# McKechnie expands in Holland with £4.35m buy

By John Ridding

McKECHNIE, the plastics, metals and consumer products group, is expanding its automotive plastics business through the acquisition of Conex Union, a Dutch manufacturer of extruded tube and tube assemblies, for a total of £4.35m in cash.

In the year to the end of September 1988, Conex reported operating profits of £580,000 on sales of £3m. Net assets stood at £812,000.

Mr Michael Ost, McKechnie's chief executive, said that part of the incentive for the deal was to accommodate the trend towards the concentration of suppliers to international motor manufacturers.

"Modern vehicle manufacturing practice will not tolerate long pipelines of supply from a single UK supplier to several assembly plants overseas. So when major car makers have a manufacturing presence in the UK and continental Europe and North America we have to respond."

The company said that the acquisition also presented an early opportunity to establish a northern European presence for its other automotive injection mouldings.

Conex will remain a distinct entity within the group and its existing management will be preserved.

# Conder buys A.Jordan for £3m

Conder Group, the construction and property group, is buying A. Jordan & Sons for £3.1m. Jordan is a Bristol-based supplier of pre-fabricated modules for toilets, bathrooms and lift-shafts as well as components for the process and power engineering industries.

Two of the businesses serve the oil industry and these will be sold back to their management for a nominal sum. The businesses to be retained had turnover of some £20m in the year to September 25 1988, but incurred a pre-tax loss of £100,000. The consideration will consist of 100,000 Conder shares plus loan notes.

# Bradford Prop at £21m

PRE-TAX PROFITS of The Bradford Property Trust rose from £19.27m to £21.4m in the year to April 5 1989. Rental income, exclusive of rates, improved from £8.94m to £10.13m and sales by dealing companies from £21.18m to £23.97m.

The directors said that during the second half a higher percentage of properties becoming vacant were retained and relet on assured or shorthold tenancies at market rents as permitted by the 1988 Housing Act. They saw such letting as a real alternative to sales.

Earnings per share, after tax of £7.23m (£6.54m) were 48.56p (44.59p). A final dividend of 7.5p makes a 14p (12.5p) total.

## Mountview down in second half

Second-half profits at Mountview Estates, property dealer, fell to £5.29m, against £5.7m last time, but the company still ended the year to March 31 1989 ahead from £10.43m to £11.71m.

Turnover grew to £15.49m (£14.07m). After tax of £4.09m (£3.67m) earnings per 5p share were 161.9p (138.8p). The proposed final dividend is 7.5p for a total 1p higher at 9.5p.

## TK&M (Estates)

Tozer Kemsley & Milbourn (Estates), a property company formerly known as Kennings Estates, made pre-tax profits of £5.94m (£5.7m) for 1988.

Tozer, Kemsley & Milbourn (Holdings) bought Kennings in 1986. Its results are published separately as the company still has preference stock holders.



## UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100): engineering orders (£ billion); retail sales volume (1985=100);retail sales value (1985=100);registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

| | Indl. prod. | Mfg. output | Eng. order | Retail vol. | Retail value* | Unemployed | Vacs. |
|---|---|---|---|---|---|---|---|
| 1988 | | | | | | | |
| 1st qtr. | 107.9 | 110.9 | 31.3 | 117.0 | 116.7 | 2,486 | 248.9 |
| 2nd qtr | 108.4 | 112.5 | 32.6 | 118.5 | 122.7 | 2,364 | 258.2 |
| 3rd qtr. | 110.7 | 116.1 | 32.7 | 120.2 | 128.9 | 2,228 | 244.3 |
| 4th qtr. | 110.5 | 117.1 | 33.6 | 120.9 | 155.4 | 2,101 | 244.9 |
| July | 110.8 | 115.6 | 31.7 | 120.7 | 128.7 | 2,257 | 249.7 |
| August | 110.5 | 115.9 | 32.4 | 120.4 | 126.7 | 2,226 | 242.8 |
| September | 111.0 | 116.6 | 32.8 | 119.5 | 124.9 | 2,182 | 240.2 |
| October | 110.3 | 116.6 | 32.4 | 121.0 | 132.5 | 2,158 | 251.2 |
| November | 110.9 | 117.2 | 32.4 | 120.7 | 145.2 | 2,105 | 245.2 |
| December | 110.1 | 117.5 | 32.7 | 121.1 | 181.9 | 2,037 | 236.3 |
| 1989 | | | | | | | |
| 1st qtr. | 109.1 | 118.2 | 33.1 | 121.4 | 125.4 | 1,962 | 228.7 |
| January | 109.2 | 118.5 | 32.6 | 119.5 | 124.3 | 1,968 | 229.2 |
| February | 102.9 | 117.8 | 32.9 | 122.1 | 128.8 | 1,940 | 228.1 |
| March | 109.2 | 118.2 | 33.8 | 122.6 | 127.4 | 1,917 | 222.9 |
| April | 109.9 | 118.1 | | 128.9 | 127.4 | 1,858 | 222.1 |
| May | | | | 123.9 | | 1,836 | 218.2 |

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

| | Consumer. goods | Invest. goods | Intmd. goods | Eng. output | Metal mnfg. | Textile etc. | Housg. starts* |
|---|---|---|---|---|---|---|---|
| 1988 | | | | | | | |
| 1st qtr. | 108.6 | 106.3 | 107.7 | 107.5 | 117.8 | 103.5 | 19.6 |
| 2nd qtr | 111.6 | 109.0 | 108.6 | 110.2 | 120.3 | 101.0 | 22.3 |
| 3rd qtr | 113.7 | 114.2 | 108.1 | 114.9 | 122.7 | 102.2 | 20.4 |
| 4th qtr | 113.9 | 116.5 | 106.9 | 116.3 | 124.3 | 102.0 | 18.4 |
| July | 113.6 | 112.9 | 108.3 | 114.0 | 124.0 | 104.0 | 20.6 |
| August | 113.1 | 114.3 | 108.8 | 115.0 | 126.8 | 102.9 | 20.5 |
| Sept. | 114.4 | 116.5 | 108.1 | 116.0 | 129.0 | 101.0 | 20.1 |
| October | 113.1 | 118.4 | 107.1 | 116.9 | 128.9 | 101.0 | 19.6 |
| November | 114.5 | 116.9 | 107.3 | 117.8 | 128.0 | 102.9 | 21.4 |
| December | 114.1 | 116.4 | 106.2 | 116.6 | 125.8 | 103.9 | 14.2 |
| 1989 | | | | | | | |
| 1st qtr. | 114.2 | 118.6 | 104.4 | 116.8 | 132.8 | 101.1 | 17.3 |
| January | 113.7 | 117.7 | 104.4 | 117.8 | 136.0 | 101.0 | 18.3 |
| February | 113.9 | 116.9 | 104.2 | 115.8 | 130.9 | 102.8 | 15.8 |
| March | 115.1 | 116.0 | 104.5 | 116.9 | 130.9 | 101.8 | 14.5 |
| April | 114.5 | 116.2 | 105.6 | 116.6 | 134.0 | 101.9 | 16.4 |

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

| | Export volume | Import volume | Visible balance | Current balance | Oil balance | Terms trade | Reserve US$bn |
|---|---|---|---|---|---|---|---|
| 1988 | | | | | | | |
| 1st qtr. | 106.2 | 119.8 | -4,020 | -3,081 | +730 | 97.0 | 44.64 |
| 2nd qtr | 111.4 | 127.7 | -4,636 | -2,764 | +615 | 98.7 | 48.52 |
| 3rd qtr | 109.3 | 133.7 | -5,896 | -3,438 | +460 | 99.3 | 50.43 |
| 4th qtr. | 108.6 | 135.8 | -6,304 | -5,483 | +340 | 98.9 | 51.60 |
| July | 107.9 | 141.5 | -2,596 | -1,813 | +119 | 98.8 | 49.83 |
| August | 106.8 | 127.6 | -1,857 | -905 | +177 | 100.9 | 50.54 |
| September | 114.1 | 131.9 | -1,473 | -720 | +164 | 99.1 | 50.48 |
| October | 108.7 | 139.6 | -2,856 | -2,382 | +67 | 97.9 | 50.05 |
| November | 107.1 | 131.6 | -1,685 | -1,612 | +132 | 97.6 | 51.84 |
| December | 109.1 | 132.8 | -1,763 | -1,489 | +141 | 98.7 | 51.80 |
| 1989 | | | | | | | |
| 1st qtr. | 110.8 | 140.7 | -5,858 | -4,369 | +84 | 100.4 | 50.46 |
| January | 115.9 | 145.4 | -2,001 | -1,501 | +105 | 100.4 | 51.71 |
| February | 104.1 | 138.2 | -2,180 | -1,690 | -15 | 100.2 | 51.68 |
| March | 112.2 | 138.3 | -1,677 | -1,177 | +112 | 100.5 | 50.46 |
| April | 108.4 | 143.5 | -2,155 | -1,655 | +93 | 100.9 | 47.28 |
| May | | | | | | | 48.09 |

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

| | M0 % | M1 % | M3 % | Bank lending £m | BS inflow £m | Cnsmer. credit† £m | Base rate % |
|---|---|---|---|---|---|---|---|
| 1988 | | | | | | | |
| 1st qtr. | 5.2 | 20.9 | 20.8 | +12,803 | 3,851 | +985 | 8.50 |
| 2nd qtr | 6.6 | 19.6 | 20.4 | +15,343 | 4,173 | +1,186 | 9.50 |
| 3rd qtr. | 7.7 | 17.3 | 22.7 | +18,740 | 3,162 | +1,082 | 11.50 |
| 4th qtr. | 7.7 | 14.2 | 20.5 | +13,379 | 3,166 | +873 | 12.70 |
| July | 8.3 | 16.1 | 21.1 | +6,152 | 1,362 | +349 | 10.50 |
| August | 7.8 | 15.9 | 20.6 | +3,372 | 1,170 | +471 | 12.00 |
| September | 8.6 | 17.3 | 22.7 | +5,830 | 621 | +279 | 12.00 |
| October | 7.7 | 13.7 | 18.8 | +4,222 | 1,583 | +186 | 12.00 |
| November | 7.7 | 11.7 | 20.4 | +3,769 | 786 | +352 | 13.00 |
| December | 7.7 | 14.3 | 20.6 | +6,200 | 819 | +395 | 13.00 |
| 1989 | | | | | | | |
| 1st qtr. | 6.7 | 13.6 | 21.2 | +14,858 | 2,881 | +818 | 13.00 |
| January | 7.2 | 11.6 | 21.3 | +6,593 | 784 | +228 | 13.00 |
| February | 6.6 | 13.8 | 22.2 | +3,285 | 1,964 | +261 | 13.00 |
| March | 6.2 | 13.9 | 21.2 | +5,179 | 813 | +330 | 13.00 |
| April | 5.7 | 10.1 | 20.6 | +4,460 | 1,175 | +315 | 13.00 |
| May | | | | | | | 14.00 |

INFLATION-Indices of earnings (1985=100), basic materials and fuels; wholesale prices of manufactured products (1985=100);retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

| | Earnings | Basic matls.* | Whsale. mnfg.* | RPI* | Foods | Reuters* cmdty. | Sterling |
|---|---|---|---|---|---|---|---|
| 1988 | | | | | | | |
| 1st qtr. | 122.6 | 98.4 | 111.8 | 103.7 | 103.5 | 1,747 | 75.3 |
| 2nd qtr | 124.6 | 97.8 | 113.6 | 106.2 | 104.6 | 1,817 | 77.6 |
| 3rd qtr. | 127.9 | 98.8 | 113.9 | 108.6 | 104.7 | 1,902 | 73.9 |
| 4th qtr. | 131.5 | 100.1 | 115.2 | 109.9 | 105.7 | 1,857 | 77.5 |
| July | 128.9 | 99.4 | 113.5 | 106.7 | 104.0 | 1,970 | 76.6 |
| August | 126.9 | 98.8 | 113.9 | 107.9 | 104.4 | 1,863 | 76.5 |
| September | 127.8 | 98.2 | 114.3 | 108.4 | 104.8 | 1,873 | 75.5 |
| October | 129.6 | 99.8 | 114.9 | 109.5 | 104.9 | 1,874 | 76.3 |
| November | 130.7 | 99.8 | 115.2 | 110.0 | 105.7 | 1,866 | 77.1 |
| December | 134.3 | 102.6 | 115.4 | 110.3 | 106.5 | 1,921 | 78.9 |
| 1989 | | | | | | | |
| 1st qtr. | 134.9 | 102.7 | 116.9 | 111.7 | 107.5 | 1,874 | 97.1 |
| January | 133.3 | 104.0 | 116.4 | 111.0 | 107.4 | 1,869 | 97.9 |
| February | 136.5 | 101.9 | 116.8 | 111.8 | 107.7 | 1,864 | 97.4 |
| March | 134.9 | 102.3 | 117.2 | 112.3 | 108.3 | 1,890 | 95.9 |
| April | 136.6 | 105.4 | 117.6 | 114.3 | 109.8 | 2,016 | 95.6 |
| May | | 104.7 | 118.1 | 115.0 | 110.3 | 2,010 | 96.3 |

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

## PUBLIC WORKS LOAN BOARD RATES

| | Effective | | | | | |
|---|---|---|---|---|---|---|
| | Quota loans repaid | | | Non-quota loans A* repaid | | |
| Years | by EPT | At† | at maturity§ | by EPT | At† | at maturity§ |
| 1 | | | 13 | | | 13¾ |
| Over 1 up to 2 | 12¾ | 12¾ | 12⅛ | 13¾ | 13¾ | 12⅞ |
| Over 2 up to 3 | 12⅜ | 12¼ | 11⅝ | 13⅜ | 13¼ | 12⅜ |
| Over 3 up to 4 | 12 | 11⅞ | 11⅜ | 13 | 12⅞ | 12⅛ |
| Over 4 up to 5 | 11¾ | 11⅝ | 11¼ | 12¾ | 12⅝ | 12 |
| Over 5 up to 6 | 11⅝ | 11½ | 11¼ | 12⅛ | 12 | 11¾ |
| Over 6 up to 7 | 11½ | 11⅜ | 11⅛ | 12 | 11⅞ | 11⅝ |
| Over 7 up to 8 | 11⅜ | 11¼ | 11⅛ | 11⅞ | 11¾ | 11⅝ |
| Over 8 up to 9 | 11¼ | 11¼ | 10⅞ | 11¾ | 11¾ | 11⅜ |
| Over 9 up to 10 | 11¼ | 11¼ | 10¾ | 11¾ | 11¾ | 11¼ |
| Over 10 up to 15 | 11⅛ | 10¾ | 10¼ | 11⅝ | 11¼ | 10¾ |
| Over 15 up to 25 | 10⅜ | 10⅛ | 9⅞ | 10⅞ | 10⅝ | 10⅜ |
| Over 25 | 10 | 9⅞ | 9¾ | 10½ | 10⅜ | 10¼ |

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

# COMMODITIES AND AGRICULTURE

## Advances made on reform of EC sheep regime

**By Tim Dickson in Brussels**

AFTER MONTHS of stalemate the European Community's key negotiations on reform of the sheepmeat sector finally appear to be yielding some results.

Progress at this week's Agriculture Council in Luxembourg was admittedly slight – but those close to the talks say that experts from the member states had already narrowed down some of the differences at earlier meetings in Brussels and that further "technical" advances should be made over the next month.

There is even an outside chance of broad political agreement at the July Farm Council, although the clever money is probably on a deal in the early autumn.

The significance of the Commission's sheepmeat proposals is that the sector is the only major one covered by the Common Agricultural Policy not yet to have been the subject of serious reform. The outcome, moreover, is of particular interest to New Zealand which is anxiously awaiting a decision from the member states on the European Commission's proposal setting out Wellington's butter and lamb import quotas for this and subsequent years – a matter which some EC Farm Ministers' have now firmly linked to changes in the EC's internal sheepmeat regime.

The challenge for the reformers lies in the widely different national production patterns and consumer preferences when it comes to sheep. Essentially the split is between the specialist lamb producers of Northern Europe - whose animals graze on free grass and who turn out relatively large carcases – and farmers in Italy and Greece for whom sheepmeat is very much a byproduct of other activities, who produce light carcases but receive relatively high prices.

The spiralling cost of the deficiency payment system in recent years – essentially it bridges the gap between the market price and a target price in the seven regions of the Community – is in part the result of high imports and (as viewed by EC producers) low tariffs. The Commission's ultimate aim is to harmonise these different national systems so that there is a uniform income loss, although it is recognised that this will only be achieved after a transitional stage.

The main recent development has been the ideas spelt out in an unofficial paper from the Commission. These include an increase in the original terms offered to Spain and Portugal, in an effort to buy off some of the opposition in the southern part of the EC; a newly enhanced role for private storage payments as a means of regulating the market, which has gone some way to meeting French objections and but which has evoked concerns about the costs from other member states; a new way of dismantling the variable premium which British farmers currently enjoy; and a slight change in the original proposal on headage limits so that in Less Favoured Areas the limit would be 500 ewes per full-time labour unit.

## EC armies lose out in butter victory

**By Tim Dickson**

THE ARMIES of western Europe have become victims of the successful assault on the Brussels butter mountain.

In a move quietly recorded in a recent issue of the Official Journal of the European Communities, the EC's weekly management committee for Milk and Milk Products has decided to suspend the regulation granting aid payments "for the purchase of butter by the armies and similar forces of the member states."

Along with its simultaneous reduction in the subsidy on skimmed milk powder turned into animal feed and recent cuts in export refunds for certain dairy products, this manoeuvre illustrates the dramatic way in which the market balance in the dairy sector has recently been restored.

Thanks to a huge (and costly) disposal programme, new restrictions on intervention purchases and successive cuts in milk quotas, butter stocks in the EC have melted away to just 40,000 tonnes. At the height of the crisis in 1986-87 the figure topped 1.4m tonnes and a year ago it was still at more than 1m.

The Official Journal notes that "in view of the current situation on the market for butter a particular feature of which is lower production and stocks of butter the categories of consumer who may qualify for aid for the purchase of such butter must be restricted." A commission official pointed out last night that the relevant regulation could always be re-introduced "if market circumstances permit."

## Ready-made profits at the salad counter

**Bridget Bloom on a company that found rich returns beneath the tip of the iceberg**

THE BIG moved deliberately across the huge field like a galleon with sails reefed, cutters busy below and graders, wrappers, packers and the box boy on the vehicle itself. It was an improbable packing station, processing iceberg lettuces grown at 28,000 to the acre and destined for supermarkets across the south of England.

Kent Salads, whose turnover has multiplied from £2.5m in 1982 to £12m today, is one of Britain's biggest salad producers. The crisp iceberg, harvested between May and October and immediately wrapped and dispatched from the mobile rig to be cooled and sold, is the company's mainstay, but the big increase in its business has recently come from more exotic produce.

Lollo lettuce, frisee, radicchio, salade de mache, roquette and chervil, as well as Little Gem and Butterhead, are today grown or imported and turned, all year round, into the ready-to-eat prepacked continental type salads which are an increasingly large part of Marks & Spencer's salad business.

It would be hard to find a better example than Kent Salads of a traditional farming operation moving in the direction increasingly urged upon farmers by politicians aware of the downturn in farming over the past couple of years. The great importance of marketing, and of adding value to a product, has become a constant theme of British ministers as the EC comes to grips with over-production of traditional agricultural crops and costly farm budgets.

The origin of Kent Salads lies in two estates in east Kent, both of which were farmed along traditional lines until the late 1970s. In the case of the

M & S's Dr Tom Clayton makes sure the crop is up to scratch

2,000 acres owned by Lord Northbourne, near the eponymous village, a mix of cereals were the principal crops while on the 700 acre farm owned by Hugh Finn near Canterbury, it was a combination of sheep, hops and top-fruit like apples. All that the two farms had in common then was that they also grew small quantities of traditional vegetables like salad onions, which they sold to Marks &S and other suppliers via a co-operative.

The changes date from 1977: as Mr Howard Carr, managing director of Kent Salads and a former management trainee at the Northbourne estate, tells it, the catalyst was Sir Marcus Sieff, then Chairman of Marks and Spencer, who "was keen to get homegrown iceberg lettuces onto his shelves". In furtherance of his wishes, M & S decided to send several of its more promising vegetable suppliers on a fact-finding trip to California, home of the iceberg.

"It was extremely exciting" Mr Carr says, telling how he and Mr Bob Thomas, now operations director of Kent Salads, "sat together in a Californian parking lot and created Kent Salads."

Achieving the reality was less easy. "Over five years we literally trialled 57 varieties of iceberg" - a crisp long lasting lettuce which had been bred from the original English Webbs especially for growing in California. "We had to get something which wouldn't 'slime' in the greater humidity here, yet would retain its quality in the longer daylight growing hours" Thomas says.

Ultimately they settled on the nine varieties grown today, but to get started on production "we imported everything from California from the seed to the concept of the mobile rig, the technique of wrapping and even the plastic film and cardboard for boxing." Mr Carr says.

By the mid-1980s with the company established, the emphasis changed again. The formation of the company in 1982, with both Lord Northbourne and Mr Finn on its board, brought in its train a re-structuring of the farming operation which, though dovetailed into Kent Salads' rotational needs, is run separately from it.

More important, however, was Kent Salad's decision not just to grow but to supply iceberg lettuces to its customers all year round. This meant finding suppliers abroad during the winter months. There was a false start, Mr Carr says, when the company rented land in 1984-85 in Spain and tried to grow its own lettuces. What the company does now, both with the icebergs and the more exotic salads, is to buy from growers whom it monitors and advises as closely as it, in turn, is advised by its largest customer, Marks & Spencer.

"We have again taken our example from California," Mr Carr says. "The growing season there moves moves from the north of the state south to the Mexican border to get year-round supplies. We move through from Kent to southern France to eastern and southern Spain and Italy and sometimes further afield." The company's latest deal is with a grower of radicchio in Zambia; its latest talks have been with potential suppliers in Morocco and Egypt.

Equally important to the procurement exercise has been the processing and preparation of the salads. The company's latest operation involves a spanking new factory where – in a noticeably labour-intensive process – the exotic salads are washed, dried and sorted into prepared packs so that they can be tipped by the customer directly into the salad bowl.

Production capacity is being doubled, while plans have been agreed for another 10,000 sq ft factory extension scheduled for early next year. Mr Carr confirms, without going into details, that negotiations are "almost concluded" for new venture capital and management investment to "help us manage this stage of our growth."

In the future, as in the past, Mr Carr and Mr Thomas expect the close relationship established with Marks & Spencer to continue to be one of the most important factors in the company's development. As is common in its relationships with its suppliers, M & S has never had a financial investment in Kent Salads, nor is it likely to. But M & S provided the initial spur for the move into iceberg lettuces, has encouraged the development of the exotic salads and remains Kent Salads's single most important customer, with about 40 per cent of its overall business.

Although there are no formal contracts, there are "programme commitments" agreed several months ahead, and Marks & Spencer monitors the product closely. Dr Tom Clayton, senior produce executive, says M & S's investment in Kent Salads comes through imparting its technological expertise and financial and market disciplines. He says he aims to have his technologists visit the company at least once a week. Mr Carr noted last week that Dr Clayton's visit was the third that week from M & S personnel. "I' they didn't come often, we would begin to get worried," he said.

Kent Salads also supplies several other major UK retailers.

If the sincerest form of flattery is imitation then Kent Salads' relationship with its own suppliers in France, Spain and elsewhere says it all. The company does not invest in its suppliers but offers technical advice, closely monitors both operation and product, and buys the result only when it is delivered, in pristine condition, down the narrow Kent lanes to the new Northbourne factory.

## Indian sugar imports 'seem unavoidable'

**By David Blackwell**

INDIA'S NEED to import sugar to offset a deficit of between 700,000 and 800,000 tonnes now seems unavoidable, according to the latest report on the sugar market from Czarnikow, the London trade house.

The main question for both India and the market appears to be one of strategy. "With white sugar supplies already tight to the extent that the white sugar premium is at its highest level for eight years, the eventual announcement of a buying tender or India's firm requirements will have a predictable effect on prices," says Czarnikow.

The emergence of the likely extent of India's needs has switched attention away from the lack of Chinese buying, which had been cited earlier in the year as a factor likely to depress prices.

China is now less of an influence, and attention is swinging towards the prospects for 1989-90 crops. Conditions in Europe are very dry in some areas, and insect and viral problems could cause greater difficulties than usual.

At the same time the situation in Brazil seems to be a little tighter than thought earlier. Further time is needed to establish the regulations under which exports will be carried out under privatisation, says the report.

"This is likely to keep Brazil out of the market for the next few months and further limit the availability of one of the few alternative white sugar sources outside the EC."

## Guyanan sugar strike cost estimated

**By Canute James in Kingston**

A SIX-week strike which crippled Guyana's sugar industry earlier this year caused losses in foreign earnings of between US$18m and $20m, the Guyana Sugar Corporation has said.

The company said the losses were incurred because of a 37,000 tonne shortfall on shipments to the European Community.

Guyana had earlier declared a shortfall on its EC quota of 167,000 tonnes, following reduced production caused by the strike to protest the Government's economic austerity measures, including a 70 per cent currency devaluation. The country's sugar output last year was 166,000 tonnes, 55,000 tonnes less than 1987.

## Cotton rally surprises traders

**By Deborah Hargreaves in Chicago**

COTTON FUTURES surged yesterday in midday trading in New York, but started to drop back towards the close of the market. Traders were surprised at the sudden rally and attributed it largely to technical factors in what they described as a thin market.

The unrest in China has boosted the cotton market in recent weeks as traders believed output and exports from the country would be affected.

"But the reaction has been to push the market higher than the situation warranted," according to Mr Ed Whitten at Balfour Maclaine.

Overall, cotton futures are now set to slide downwards, traders believe.

Nancy Dunne writes in Washington: In its most recent report on the cotton situation, the US Agriculture Department said Chinese cotton output would drop by 5 per cent, although weather conditions have generally been reported to be favourable.

However, the International Cotton Advisory Committee is still reckoning on a modest increase in Chinese production this year to 19.9m bales, up from 19.3m. It predicted a fall in Soviet production from 12.6m to 11.5m bales and a drop for the US from 15.4m to 13.5m bales.

The department is forecasting a rise in world cotton consumption to nearly 84m bales. That would put the demand-supply situation into near-balance. World production is forecast at 84.3m bales.

The Advisory Committee predicted a rise in prices for the 1989-90 season, encouraging increased plantings and higher production, lower consumption and falling prices in the following year.

During 1990-92, world cotton production could climb to nearly 87m bales, while consumption is likely to remain near 86m bales because of slower economic growth, the Committee said.

World trade in cotton is expected to decline from the expected record in 1989-90, but 1990–91 imports are forecast to be well above the average levels of the 1980's.

## Copper prices tumble after Noranda agreement

**By Kenneth Gooding, Mining Correspondent**

COPPER PRICES tumbled on the London Metal Exchange yesterday after Noranda, the Canadian natural resources group, reached a tentative agreement with the union for a new three-year contract at its Montreal copper refinery.

Traders suggested that, if the Noranda contract was ratified, it would be more likely that other North American copper producers currently involved in contract negotiations – Magma Copper and Asarco – would also reach agreement.

The market brushed aside the news that employees at the Olen plant of Metallurgie Hoboken-Overpelt (MHO) in Belgium – western Europe's biggest copper refiner – had voted to continue a strike which started on June 8.

MHO last week declared *force majeure* on shipments of refined and fabricated copper from Olen and yesterday also declared *force majeure* on copper raw material purchases.

On the LME the price of Grade A copper for immediate delivery fell by £74 a tonne yesterday to £1,638 and three-month metal dropped by £56 a tonne to £1,626.50.

● Noranda's tentative deal gives an indication of its view of the copper market this year by providing for a 4.3 per cent cut in output from 345,000 short tons (2,000 lb each) in 1988 to 330,000 tons.

# WORLD COMMODITIES PRICES

## LONDON MARKETS

ZINC prices fell on the LME yesterday as strikes at two Belgian smelters came to an end. Morning news that workers at the Overpelt smelter of Metallurgie Hoboken-Overpelt were returning after striking on Monday was followed by afternoon news of a resumption at Vieille Montagne's Balen smelter after a three-day strike which many traders had been unaware of. A force majeure by Eire's Tara Mines on concentrate shipments cushioned the fall in the morning but traders noted that workers, other than the striking ore crushers, were able to maintain 60 per cent output at the mine. Tin prices continued the week's upward movement. But most traders remain reluctant to establish large market positions and still appear to be mostly holding off until there is an LME spot price quotation at the start of next month.

**COCOA £/tonne**

| | Close | Previous | High/Low |
|---|---|---|---|
| Jul | 807 | 802 | 816 806 |
| Sep | 828 | 823 | 838 827 |
| Dec | 881 | 876 | 883 880 |
| Mar | 872 | 866 | 881 870 |
| May | 881 | 878 | 890 879 |
| Jul | 898 | 894 | 902 897 |
| Sep | 914 | 907 | 923 911 |

[illegible]

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
|---|---|---|---|---|---|---|
| Aluminium, 99.7% purity ($ per tonne) | | | | | | Ring turnover tonne |
| Cash | 1900-10 | 1920-30 | | 1885-7 | | |
| 3 months | 1835-40 | 1850-5 | 1845/1820 | 1822-5 | 1840-5 | |

[illegible]

## US MARKETS

IN THE METALS, gold, silver and platinum gained late in the day in reaction to a setback in the US dollar, reports Drexel Burnham Lambert. Copper futures sank as news of strike settlements prompted heavy liquidation by funds. The July contract fell 790. In the softs sugar posted a modest rally as prices closed above the 13 cent level basis July. Origin selling and switch trading was featured in the coffee market. Cocoa trading was slow. Cotton prices gained from elected commission house stop orders. The grain markets featured choppy action as weather conditions are being watched carefully. Commercial players were buyers in the wheat and soybeans. Fund buying was seen in the corn market. In the livestocks, Tuesdays bearish out of town storage report kept pork bellies lower. Light retail and packer demand weighed on the cattle futures. Hog trading was mixed. The energy complex advanced as new longs were seen in the markets.

**COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 107.70 | 115.70 | 107.85 | 107.35 |
| Jul | 108.10 | 116.00 | 112.40 | 107.50 |
| Aug | 106.85 | 114.60 | 0 | 0 |
| Sep | 106.00 | 113.55 | 110.00 | 105.50 |

[illegible]

## Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 738/4 | 736/2 | 743/4 | 732/0 |
| Aug | 710/0 | 708/6 | 716/4 | 705/4 |

[illegible]

## LONDON STOCK EXCHANGE

# Slow session for the stock market

A COMBINATION of fine summer weather, the attractions of the Ascot racecourse, and a national transport strike which also wiped out London's commuter network proved almost too much for the UK stock market yesterday. Although securities trading desks were adequately staffed, business volume was very low and the Stock Exchange, bowing to the general lethargy, agreed to an effective close down of the Seaq electronic trading system one hour earlier than usual.

Measured against this backcloth, the equity market turned in another satisfactorily firm performance, paying little heed to the early fall in the pound which took the sterling exchange rate index perilously close to the 90 mark before the Bank of England was seen to step in and support the UK currency.

The reduction in staff turnout wrought by the industrial dispute which closed Britain's railways and London's underground railway and bus services seemed to affect the fund management, back office and ancillary departments of stock market firms rather than the trading desks.

"Any major deals waiting in the pipeline were probably pulled yesterday," said one dealer. The Exchange announced at mid-afternoon that the mandatory quote period on the Seaq trading network would close at 4.05pm. With Seaq quotations no longer updated for dealing after that time, trading effectively came to an end.

The session started briskly as market makers, ignoring the pound's troubles, continued to fill in bear positions in a market still largely devoid of institutional sellers. Yesterday was a blank day for economic data, and the stock market retained its confidence that further rises in domestic interest rates will be avoided if possible.

Trading was also subdued yesterday in the London money markets. The equity market soon gained more than 14 points on the FT-SE scale, although it was clear that little genuine investment business was being done. Share prices then topped off and continued to slip away as Wall Street opened uncertainly.

The final reading on the FT-SE index, taken at 4.05 pm, showed a net gain on the day of 7.4 points to 2,172.2 for the fourth successive daily gain. However, the Seaq system recorded volume of only 294.4m shares at 5.00pm, compared with 504.1m on Tuesday, and implying almost holiday trading levels.

There was further US support for international stocks, but among those to close well below the day's best were BAT Industries, ICI, Glaxo and Reuters. Consumer stocks also improved, although some analysts warned that the market's interest rate nerves could be tested again next week when the latest UK trade figures are due.

**Account Dealing Dates**

| | | | |
|---|---|---|---|
| First Dealings | Jun 5 | Jun 19 | Jul 3 |
| Option Declarations | Jun 15 | Jun 29 | Jul 13 |
| Last Dealings | Jun 16 | Jun 30 | Jul 14 |
| Account Day | Jun 26 | Jul 10 | Jul 24 |

"New time dealings may take place from 9.00 am two business days earlier.

## Boots treatment working

Bullish news from a visit by leading market analysts to Underwoods helped Boots maintain its good form of the past weeks, the shares adding a further 3 at 299p on good turnover of 6.8m shares. The group has recently completed converting its Underwoods units into Boots stores, and the early reports of trading have been bullish.

The company has reported that since the conversion, sales in the former Underwoods stores have improved by 20 per cent, a tribute to the brand attraction of the Boots name, say analysts. "Boots is a company that exudes confidence and clearly the conversion of Underwoods has gone very well," said Mr John Williams, analyst at Citicorp Scrimgeour Vickers.

The share price has also been boosted by optimistic reports of the company's new Manoplax drug. Due to be launched in 1990/91, Manoplax will be marketed first as a treatment for congestive heart failure, then later for hypertension. "This could be a very, very big product," enthused one pharmaceuticals analyst.

Boots shares may also have been helped by the completion of the merger agreement between pharmaceutical giants Smithkline Beckman of the US and Beecham of the UK. Institutions that sold out of Beecham under the deal could well have started to invest their money in Boots, with its high-profile defensive qualities and similar strength in pharmaceuticals, said analysts.

### When-issued debuts

London marketmakers yesterday began quoting prices in the when-issued form of securities of the new pharmaceutical entity to be formed when the merger of Beecham and SmithKline Beckman is formally completed. The newcomers started life yesterday as SmithKline Beecham "A" shares and SmithKline Beecham Equity Units, with neither attracting much in the way of business.

They opened at 533p and 2800p respectively and closed at 534p and 2588p just as the day's only trade was clocked up. The honour went to BZW which attracted a US buyer for 1500 shares in SKBeecham "A" at 535p.

Analysts juggled with the complex formulae that link the two stocks with similar previously traded instruments in an attempt to identify appropriate prices for the new instruments.

A holder of a Beecham share will get 0.8784 of a SKBeecham A share and a floating rate note, repayable at par in 1992, and exchangeable for £1.75 cash within three weeks from the date of the merger, scheduled for July 26. Delivery of stock traded now does not have to be made until six days after the merger date.

Matters for holders of SKBeckman shares are more complex, said Mr Martin Hall of UBS Phillips & Drew. One SKBeckman share will be exchanged for one SKBeecham Equity Unit, plus $5.50 cash and some as yet unspecified amount of stock in the two divisions to be spun off – Beckman Instruments and Allergan. An SKBeecham Equity Unit is equivalent to five SKBeecham B shares and one preference share which allows dividends to be paid gross to US shareholders.

Barclays, still basking in the glow of the recent BZW recommendation, were the sole feature among lacklustre banks, the shares adding 4 at 461p in moderate turnover on reports of Far Eastern interest. Just before the close Barclays announced that it is to raise $184m in the US domestic market through a preference share issue.

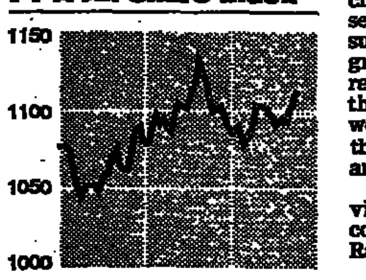
Shares in Bremner, the Scottish stockbroking and property investment company, dropped 10 to 93p after the return of Mr James Rowland-Jones as chairman quelled bid hopes.

Shares in Charter Consolidated edged higher to 505p following trading results largely as expected but which brought no confirmation of market hints that Charter may be interested in acquiring Johnson Matthey, in which it already holds 38 per cent.

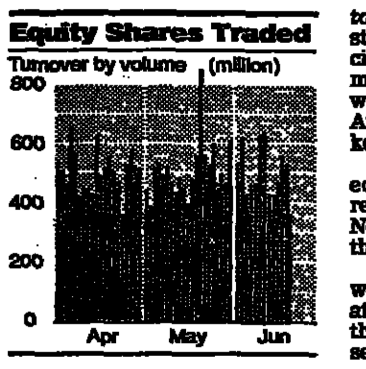
Sterling's weakness helped ICI breach the £13 barrier for a short time before subsiding to close at 1294p, a net improvement of 8. A slim 1m shares changed hands, mostly within the market, according to a dealer.

BP and British Gas each added 2 in line with the market to 294p and 191p respectively. Volumes were among the best of the day, however, with 7.1m shares in BP and 4.6m in Gas moving through Seaq. "Their good yield is attracting safety first fund managers," said an analyst.

**FT-A All-Share Index**




**Equity Shares Traded**




BAT Industries recovered from Tuesday's fall in fine style, the shares climbing at one stage to 676p-bid before settling back to close at 669p, up a net 10 on busy turnover of 8.2m shares. There was talk that BATs might float some of its tobacco interests, but a more likely explanation for the rise was the strength of the dollar, the continued interest from US investors and the easing of worries about Proposition 103, the Californian reforms for reduced premiums on property and casualty insurance, which would have implications for Farmers, recently acquired by BAT.

There has also been speculation about a leveraged bid for BATs from Hanson. "These days any leveraged buy-out is a possibility, but BATs would be a pretty big mouthful for even someone like Hanson," commented one analyst.

Rothmans, the market's other main tobacco stock, was equally firm, rising 7 to 545p.

The electronics and electricals sector turned in a somewhat unconvincing performance, with gains in the blue chip leaders rather below those seen elsewhere, and some consumer sectors failing to make ground. GEC continued to record fairly active trading as the market awaited next week's trading statement, but the shares could not hold on to an initial gain.

The influence of contrasting views among City analysts continued to restrain the twin Racal stocks.

Racal Telecom edged ahead to 474p in modest turnover, still restrained by the "sell" circular from Mr Brian Newman of Henderson Crosthwaite which facetiously implored American investors to "please keep buying."

At 505p, Racal Electronics edged higher and again reported good trading volume. Nomura Research has marked the shares a hold/buy.

On the consumer side, there were several features. Amstrad at 87p recovered a few pence of the ground lost in last week's selling bout.

In the paper and packaging area, Bunzl was steadier at 136p as the profits downgrading from a UK broking house failed to find universal acceptance among investors.

Among the electronic publishers, Carlton Communications rose by 20 to 849p on reports that the group's contract with Warner Communications has been renewed and despite belief by some market specialists that a substantial line of stock involved in the £526m takeover of UEI may be hanging around waiting to be placed.

Carlton shares have been sluggish while the UEI deal procedes and yesterday's recovery reflected the underlying optimism in which the group is held in the stock market. "We still regard Carlton as an excellent stock," commented Mr Jason Crisp of County NatWest WoodMac.

Body Shop added 20 at 723p; so far this week the stock has risen by more than 10 per cent.

Hotel stocks were dominated by two stories. Trusthouse Forte closed 2 lighter at 318p on turnover of 1.3m after the company denied it was planning to bid for the US Hilton group of hotels. Of greater interest to the market was the biennial analysts' visit to Trusthouse which started last night in London and will continue today at various sites around the UK.

Analysts expect to see operations such as the London Hotels chain, the catering services at Gatwick airport and contract catering at Gardner Merchant, all of which are reported to be trading well. "The visits should show that the company is firing on all cylinders," said one researcher, who expects to see a follow-through of institutional demand within days.

The other talking point surrounded Grand Metropolitan, up 11 to 550p on turnover of 1.8m amid reports that the shares had been recommended by two broking houses. One, James Capel, refused to reveal its views on the stock, while the other, Kleinwort Benson, was happy to confirm that it has been promoting GrandMet.

Kleinwort said it was keen on the stock for two reasons. First, since the interims in May, the shares have underperformed considerably and are thus due a rally. And, second, the acquisition of Pillsbury has made GrandMet much more of a dollar denominated stock, so the recent strength of the US currency should have boosted earnings accordingly.

Brewing stocks held firm in quiet trading. The story that Scottish & Newcastle was ready to sell its Thistle Hotels subsidiary lost much of its momentum, and the brewer added just 2 at 335p.

Hawker Siddeley advanced firmly as the agm was held in London. The stock climbed 16 to close at the day's peak of 716p in thin trade. Dealers added that sentiment had been helped by a profits upgrade from Midlands broker Albert E. Sharp. Mr John Paterson, of Albert E. Sharp, raised his forecast for the current year from £205m to 210m, citing good orders from in North America and Europe.

News that a 50 per cent owned subsidiary of GKN intended to expand into the European waste disposal market helped the stock climb 12 to 408p. Mr Ed Wright, analyst at Smith New Court, said that sterling's recent weakness against the DMark aided the advance. One dealer argued that the stock had broken out of its recent 385-400p trading range and expressed optimism about its near term prospects.

US buyers, said to be working through Goldman Sachs, returned to the bid for Blue Arrow pushing turnover to 7.7m by the close. The stock touched 98½p before settling at 97½p, a net improvement of 2½.

Several buyers chased Christie International, a thin market at the best of times, and the stock ran up 45 to 290p. "I've still got a buyer, but can't get hold of the stock," complained a marketmaker.

Cadbury Schweppes advanced 9 to 366p on turnover of 2.8m shares on reports of renewed speculative buying from the US. The long run of hot weather in Britain is also beginning to help the stock, say dealers, as thirsty drinkers rush to buy soft drinks; Cadbury not only has its own highly profitable Schweppes division, but it also owns the bottling rights to Coca-Cola and Pepsi in the UK.

Other stocks firmer on speculative buying included United Biscuits, 6 higher at 351p, Kwik Save, 5 to the good at 492p on hopes that Hong Kong group Dairy Farm will launch a bid, and Unigate, 6 better at 380p.

A shortage of stock led to a squeeze in shares of Northern Foods, up 7 at 323p; County NatWest WoodMac currently favours Northern, noting that the shares stand on a discount to the sector of around 5 per cent.

Gateway, with dealers still awaiting the response of Isosceles to the Newgateway £2bn counter-bid, edged lower to 222½p. Samuel Montagu, the merchant bank, confirmed that it had bought 5m Gateway shares on Tuesday on behalf of Newgateway.

Granada rose to 339p ahead of interims due on July 11. The price settled by the close at 337p, up 4 on the day.

Among mixed and quietly traded Properties vague bid/management buy-out speculation lifted Imry Merchant 6 to 505p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

## FINANCIAL TIMES STOCK INDICES

| | Jun 21 | Jun 20 | Jun 19 | Jun 16 | Jun 15 | Year Ago | 1989 High | 1989 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 84.66 | 84.72 | 84.76 | 84.81 | 84.62 | 89.15 | 89.29 (8/2) | 83.75 (14/6) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 95.69 | 95.59 | 95.72 | 95.86 | 95.46 | 97.89 | 96.59 (15/3) | 95.21 (13/6) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary | 1800.9 | 1791.6 | 1780.7 | 1771.5 | 1768.9 | 1486.5 | 1837.5 (19/5) | 1447.8 (3/1) | 1926.2 (16/7/87) | 49.4 (26/6/40) |
| Gold Mines | 184.7 | 184.9 | 183.8 | 182.4 | 183.7 | 215.7 | 195.1 (25/3) | 154.7 (17/2) | 734.7 (15/2/83) | 43.5 (26/10/71) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Ord. Div. Yield | 4.43 | 4.45 | 4.49 | 4.56 | 4.59 | 4.45 |
| Earning Yld %(full) | 10.44 | 10.51 | 10.59 | 11.06 | 11.11 | 11.42 |
| P/E Ratio(Net)(*) | 11.54 | 11.48 | 11.39 | 10.97 | 10.89 | 10.66 |
| SEAQ Bargains(5pm) | 18,510 | 26,227 | 22,461 | 29,834 | 25,686 | 30,017 |
| Equity Turnover(£m)† | - | - | 1129.74 | 1342.66 | 1573.79 | 1075.98 |
| Equity Bargains† | - | - | 25,437 | 31,794 | 27,754 | 27,142 |
| Shares Traded (ml)† | - | - | 360.2 | 527.0 | 558.8 | 443.1 |

Ordinary Share Index, Hourly changes

| Opening | 10 a.m. | 11 a.m. | 12 p.m. | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1796.4 | 1803.9 | 1805.3 | 1803.6 | 1802.7 | 1803.9 | 1804.4 | 1800.6 |

DAY'S HIGH 1805.9 DAY'S LOW 1796.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 11.44 †Excluding intra-market business. ‡ closed at 16.05

**● S.E. ACTIVITY**

| Indices | Jun 20 | Jun 19 |
|---|---|---|
| Gilt Edged Bargains | n/a | 105.0 |
| Equity Bargains | - | 164.8 |
| Equity Value | - | 2263.5 |
| 5-Day average | | |
| Gilt Edged Bargains | - | 113.1 |
| Equity Bargains | - | 179.7 |
| Equity Value | - | 2582.4 |

● London Report and latest Share Index: Tel. 0898 123001

## TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.05pm.

| Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ASDA Group | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Allied-Lyons | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Amstrad | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Argyll Group | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ass. Brit. Foods | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BAA | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BAT Inds. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BET | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BICC | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BOC | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BPB Inds. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BTR | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Barclays | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Bass | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Beecham | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Blue Circle | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Boots | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Brit. & Comm. | 523 | 170 | -1 | GRE | 738 | 280 | +1½ | Pilkington | 1,700 | 231 | -1 | Tarmac | 1,600 | 321 | +1 |
| Brit. Aerospace | 122 | 678 | +1 | GKN | 1,080 | 408 | +12 | Plessey | 1,500 | 263 | -1 | Tate & Lyle | 188 | 258 | +1 |
| British Airways | 804 | 201 | +1 | Glaxo | 1,000 | 908 | +6 | Polly Peck Intl. | 206 | 264 | -2 | Taylor Woodrow | 417 | 324 | +2 |
| British Gas | 4,600 | 191 | +2 | Hammerson 'A' | 141 | 791 | +2 | Prudential | 2,500 | 174½ | +½ | Tesco | 859 | 186 | -1 |
| British Land | 81 | 356 | | Hanson | 3,400 | 203¾ | +½ | [illegible] | 458 | 459 | +2 | Thorn EMI | 710 | 755 | -5 |
| BP | 7,100 | 293½ | +1½ | Harrisons & Cros. | 586 | 1671½ | +2½ | RMC | 210 | 767 | +8 | Trafalgar House | 76 | 359 | -4 |
| British Steel | 2,000 | 78½ | | Hawker Siddeley | 377 | 711 | +16 | RTZ | 455 | 489 | | Trusthouse Forte | 1,300 | 318 | -2 |
| British Telecom | 2,500 | 272½ | -½ | Hillsdown Hldgs | 1,400 | 269 | +1 | Racal | 3,800 | 569 | -4 | Ultramar | 465 | 308 | |
| Burmah Oil | 263 | 594 | | IMI | 85 | 225 | +1 | Rank Org. | 294 | 954 | +6 | Unilever | 862 | 580 | +2 |
| Burton | 502 | 229 | -2 | Imp. Chem. | 999 | 1294 | +8 | Reckitt & Colman | 148 | 1109 | -1 | United Biscuits | 2,800 | 351 | +6 |
| Cable & Wireless | 1,180 | 474 | -6 | Inchcape | 395 | 257 | +2 | Redland | 53 | 557 | | Utd. Newspapers | 283 | 440 | +6 |
| Cadbury Schweppes | 2,800 | 366 | +9 | Jaguar | 136 | 357 | | Reed International | 1,100 | 425 | +8 | Wellcome | 379 | 446 | +1 |
| Carlton Comms. | 595 | 849 | +20 | Kingfisher | 783 | 305 | +1 | Reuters | 794 | 795 | +6 | Whitbread 'A' | 254 | 353 | +3 |
| Commercial Union | 995 | 369 | +3 | Ladbroke | 957 | 588 | +4 | Rolls Royce | 1,880 | 196½ | -½ | Williams Hldgs. | 1,700 | 244 | |
| Cons. Gold Fields | 22 | 1253 | -5 | Land Securities | 1,050 | 585 | -3 | Rothmans | 791 | 545 | +7 | Wimpey | 1,100 | 267 | +4 |

## NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (92).
AMERICANS (6) Campbell Soup, Cullinet, Houston Inds., Lowe's, Man. Hanover, Quaker Oats, CANADIANS (3) ABM Gold, Asiamerica, Bk. Nova Scot., BANKS (1) Deutsch Bank, BREWERS (1) Guinness, BUILDINGS (6) Atwoods, Eve, Lafarge Coppee, McAlpine (A), NSM, Siddall (Wm). CHEMICALS (4) BASF, Bayer, Caird, ICI, STORES (2) Body Shop Intl., Smith (W.H.). ELECTRICALS (5) ASEA AB "A", Eurocopy, Philips Lamp, Sony, Telefonica, ENGINEERING (2) Fokker N/V, Renold. FOODS (8) Benson Crisps, Fisher (A), Global, Kwik Save, Morris'n (W), Northern Foods, Utd. Biscuits Wrnts. 1991, Weessanen, INDUSTRIALS (16) Beaverco, Christies Intl., Halma, Hanson, Hawthorne Leslie, Isotron, Scapa, Siebe, Unilever, Whatman Reeve, INSURANCE (3) Britannic, Marsh Mclen'm., Sun Life, LEISURE (1) First Leisure, MOTORS (1) Lyon & Lyon, NEWSPAPERS (1) Hobsons Publishing, PAPERS (3) Ferry Pick., Smith (David S), WCRS, PROPERTY (4) Bradero Props., City Gate Est. 3¼ pc Pf., Frogmore Est., Imry Merchant Dev., SHIPPING (1) Sea Containers, SHOES (1) FIL, TOBACCOS (1) Rothmans, TRUSTS (18) OILS (5) Arabex Pet., British Gas, Petrogen, Royal Dutch, Tuskar Res., OVERSEAS TRADERS (2) Antofagasta, GN Gt. Nordic, PLANTATIONS (1) Rowe Evans Inv., MINES (1) Anglo American, THIRD MARKET (3) Chelsea Artisans, Eglinton Expln., Royal Sovereign.

NEW LOWS (20).
CANADIANS (1) Moscocho, ELECTRICALS (3) Pressac, Radius, SD-Scicon, ENGINEERING (1) SKF AB, INDUSTRIALS (5) Assoc. Energy, Lincat, Mid Kent Wrnts., Ralyon, Rockwood, MOTORS (2) Bletchley Motor, Trimoco, NEWSPAPERS (1) Southnews, PAPERS (3) Bunzl, Craton Lodge, Monotype, OILS (3) Burmah 8½pc Ln. 1991/95, Caspen Oil, Highland Part., MINES (1) De Beers Dfd.

## APPOINTMENTS

### Whitecroft chief executive

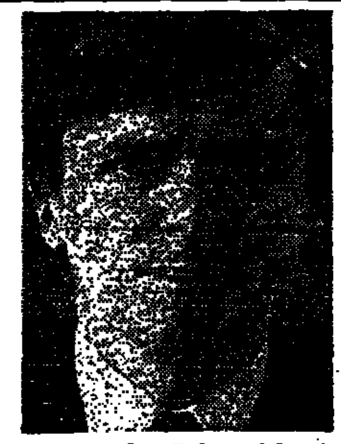
■ Mr Peter Goold has been appointed deputy chairman and chief executive of WHITECROFT from July 1. He has been a director since 1972 and joint managing director since 1987. Mr Richard Gait has been appointed group personnel director from the same date. He was personnel manager.

■ Mr Alastair W.R. Johnstone has been appointed a director of MORGAN GRENFELL (SCOTLAND), and manager of Morgan Grenfell & Co's Edinburgh branch. He was secretary of Morgan Grenfell (Scotland), and succeeds Mr Ben Harford who is leaving to pursue other interests.

■ Mr K.V. Sutton, chairman and managing director of Righton, Birmingham, has been appointed vice president of GRANGES, Sweden, a company in the Electrolux Group. Righton is part of the distribution group of Granges.

■ Mr Robert Taylor and Mr William Lamond have been appointed directors of BZW INTERNATIONAL EQUITIES.

■ Mr Chris Yates has been appointed corporate telecommunications services manager of NATIONAL POWER, the larger of the generating companies to emerge from the Central Electricity Generating Board under the Government's privatisation proposals. He was project manager of British Telecom's blown optical fibre technology.



Mr Nicholas Driver (above), group staff director, has been appointed to the board of LONDON MERCHANT SECURITIES GROUP, and will succeed Mr Walter Millson as director of property on July 10. Mr Millson retires but will remain on the board.

■ KINGFISHER has appointed Mr Jim Hodkinson as deputy chairman and chief executive of B&Q. He was managing director.

■ HALLIWELL LANDAU, Manchester commercial law firm, has appointed Mr Clive Garston as its senior partner, succeeding Mr Ervin Landau who has retired but remains a consultant.

■ Mr Julian Edwards has been appointed technical director of TELECOMMUNICATION INFORMATION SYSTEMS, Isleworth. He was managing director of Dataflow Corporation.

■ THE INCORPORATED NATIONAL ASSOCIATION OF BRITISH & IRISH MILLERS has elected as president Mr C.M. Wilson, chief executive of Smiths Flour Mills. Mr E.C. Humphreys, chief executive of Dalgety Food Ingredients Group, is the new vice president.

■ Dr László Karczag has been re-appointed deputy chairman of HUNGARIAN INTERNATIONAL BANK, London. He was deputy chairman 1977-83 and is returning from the parent National Bank of Hungary, Budapest, where he was a managing director. He replaces Mr Gyula Czirjak who is returning to Budapest.

■ NORTH SURREY WATER COMPANY, purchased last year by General Utilities, UK subsidiary of Compagnie Generale des Eaux (CGE), has appointed as non-executive directors Sir William Dugdale, chairman of General Utilities, and Mr Jean-Claude Banon, head of corporate development, CGE. Mr David Hewitt becomes finance director. He was company secretary and accountant. Mr Jack Jeffery, general manager, has beenre-designated managing director. He is chairman of the Water Companies Association.

GEORGE WIMPEY has appointed Mr A.C. Watson (above) as design-and-build director for Wimpey Construction UK. He was senior manager.

■ Mr Chris Phoenix, a partner in Coopers & Lybrand, Edinburgh, becomes finance director of NSM from July 31. He succeeds Mr Tim Palmer who remains on the board.

■ F. BALL & CO has appointed Mr R.G. Palmer as managing director from July 1. He is production director, and succeeds Mr Geoffrey Ball, who remains chairman.

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

## AUTHORISED UNIT TRUSTS

## GUIDE TO UNIT TRUST PRICING

**INITIAL CHARGES**
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

**OFFER PRICE**
The price at which units may be bought.

**BID PRICE**
The price at which units may be sold.

**CANCELLATION PRICE**
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

**TIME**
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

**HISTORIC PRICING**
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

**FORWARD PRICING**
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

**SCHEME PARTICULARS AND REPORTS**
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

# FT UNIT TRUST INFORMATION SERVICE

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Windsor Trust Mngrs Ltd (1200)F

Wright Seligman Fund Mngrs Ltd (1000)H

The Yorkshire Unit Tst Mngrs Ltd (1100)F

## OTHER UK UNIT TRUSTS

## INSURANCES

Albany Life Assurance Co Ltd – Contd.

Allied Dunbar Assurance Plc

City of Edinburgh Life Assurance

Devonshire Life

Assicurazioni GENERALI SpA

Irish Life Assurance Co Plc – Contd.

MGM Assurance(z)

NEL Britannia Assce Co Ltd – Contd.

Continued on next page

# FT UNIT TRUST INFORMATION SERVICE

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### Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| American | 135.0 | 143.0 | +1.0 | - |
| Building Soc. Fd | 171.0 | 180.0 | ---- | - |
| Balanced | 285.0 | 300.0 | +1.0 | - |
| European | 179.0 | 189.0 | +2.0 | - |
| GT Managed | 178.0 | 188.0 | +2.0 | - |
| Gartmore Mngd | 118.0 | 125.0 | +1.0 | - |
| German | 126.0 | 133.0 | +1.0 | - |
| Gilt | 180.0 | 190.0 | ---- | - |
| Global | 48.0 | 51.0 | ---- | - |
| High Inc | 120.0 | 127.0 | ---- | - |
| International Equity | 198.0 | 209.0 | +2.0 | - |
| Japan | 236.0 | 249.0 | ---- | - |
| Managed | 64.0 | 68.0 | +1.0 | - |
| Property | 283.0 | 298.0 | ---- | - |
| R. W. Imperial Gold | 148.0 | 156.0 | ---- | - |
| UK Equity | 366.0 | 386.0 | +1.0 | - |
| **Pension Funds** | | | | |
| American | 157.0 | 166.0 | ---- | - |
| Building Soc. Fd | 171.0 | 180.0 | ---- | - |
| Balanced | 218.0 | 230.0 | ---- | - |
| European | 176.0 | 186.0 | ---- | - |
| German | 109.0 | 115.0 | ---- | - |
| Gilt | 153.0 | 162.0 | ---- | - |
| International Equity | 144.0 | 152.0 | ---- | - |
| Japan | 136.0 | 144.0 | ---- | - |
| Managed | 65.0 | 69.0 | ---- | - |
| Property | 217.0 | 229.0 | ---- | - |
| UK Equity | 332.0 | 350.0 | +2.0 | - |

### Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| Balanced Grth Mngd | 600.3 | 632.6 | +1.5 | - |
| Adventurous Mngd | 129.2 | 136.2 | +0.6 | - |
| Secure Mngd | 109.2 | 115.1 | +0.1 | - |
| Cash Fd | 233.4 | 246.0 | ---- | - |

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

### GUERNSEY (SIB RECOGNISED)

### JERSEY (SIB RECOGNISED)

### IoM (SIB RECOGNISED)

### LUXEMBOURG (SIB RECOGNISED)

### SWITZERLAND (SIB RECOGNISED)

### GUERNSEY (**)

### JERSEY (**)

# FT UNIT TRUST INFORMATION SERVICE

# LONDON SHARE SERVICE

## BRITISH FUNDS

### "Shorts" (Lives up to Five Years)

| 1989 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 99⅝ | 98½ | Exch. 10pc 1989 | 99⅞ | –⅛ | 10.04 | 13.71 |
| 99½ | 98⅛ | Exch 11pc 1989 | 99½ | –⅛ | 11.08 | 13.38 |
| 98⅝ | 95⅞ | Treas 5pc 1986–89 | 98⅛ | +⅛ | 5.10 | 11.09 |
| 99½ | 98⅝ | Exch 10¼pcCv '89 | 98⅞ | ..... | 10.35 | 12.65 |
| 101½ | 99½ | Treas 13pc 1990‡‡ | 100¼xd | –⅛ | 12.98 | 12.77 |
| 130 | 124 | Treas 2pc IL '90(84.6) | 129xd | –⅛ | 2.09 | 9.98 |
| 99½ | 98½ | Exch 11pc 1990‡‡ | 98½ | –⅛ | 11.14 | 13.03 |
| 101⅛ | 99⅛ | Exch. 12½pc 1990 | 99⅝ | –⅛ | 12.55 | 12.97 |
| 94½ | 91⅛ | Treas. 3pc 1990 | 93⅞ | ..... | 3.19 | 10.43 |
| 96⅞ | 95⅜ | Treas 8¼pc 1987–90‡‡ | 95⅞ | ..... | 8.59 | 12.72 |
| 98½ | 95¼ | Treas. 8pc Cv 1990 ‡‡ | 95½xd | –⅛ | 8.36 | 12.41 |
| 98½ | 96⅛ | Treas. 10pcCv 1990 | 96½ | –⅛ | 10.34 | 12.73 |
| 91⅛ | 87½ | Exch 2½pc 1990 | 91⅛ | –⅛ | 2.75 | 9.38 |
| 101½ | 98½ | Treas 11¾pc 1991 | 98⅞ | –⅛ | 11.88 | 12.51 |
| 92⅛ | 89⅜ | Funding 5¾pc '87–91‡‡ | 91⅛ | –⅛ | 6.29 | 11.16 |
| 89½ | 86⅛ | Treas. 3pc 1991 | 89⅛ | –⅛ | 3.37 | 9.48 |
| 100⅜ | 95½ | Treas 10pc Cv '91 ‡‡ | 96 | –⅛ | 10.43 | 12.36 |
| 101⅛ | 97½ | Exch. 11pc 1991 | 97½ | –⅛ | 11.24 | 12.06 |
| 94⅛ | 91½ | Treas. 8pc 1991 | 91½ | –⅛ | 8.73 | 11.98 |
| 106⅛ | 102⅛ | Treas 12¾pc 1992‡‡ | 102½xd | –⅛ | 12.45 | 11.64 |
| 99⅛ | 95½ | Treas 10pc 1992 | 96⅛ | –⅛ | 10.40 | 11.72 |
| 94⅛ | 91 | Treas. 8pc 1992 ‡‡ | 91½ | –⅛ | 8.76 | 11.70 |
| 100¼ | 96⅜ | Treas 10½pc Cv 1992‡‡ | 97⅛ | –⅛ | 10.79 | 11.60 |
| 85⅜ | 82¼ | Treas. 3pc 1992 | 83½ | +⅛ | 3.59 | 9.48 |
| 105½ | 101¼ | Exch. 12¼pc '92 | 101⅝ | –⅛ | 12.06 | 11.62 |
| 109⅛ | 104½ | Exch 13½pc 1992 | 105⅛ | –⅛ | 12.85 | 11.55 |
| 94⅛ | 90½ | Treas 8¾pc 1993 | 90⅛ | –⅛ | 9.10 | 11.42 |
| 100⅛ | 95⅜ | Treas 10pc 1993‡‡ | 96⅛ | –⅛ | 10.40 | 11.25 |
| 108¼ | 103½ | Treas 12½pc 1993‡‡ | 103¼ | –⅛ | 12.05 | 11.32 |
| 87⅛ | 84¼ | Funding 6pc 1993‡‡ | 85½ | +⅛ | 7.01 | 10.26 |
| 113⅛ | 108¼ | Treas 13¾pc 1993‡‡ | 108½ | –⅛ | 12.68 | 11.24 |
| 94⅛ | 89⅜ | Treas. 8½pc 1994 | 90½ | –⅛ | 9.41 | 11.24 |
| 117½ | 112⅛ | Treas 14½pc 1994‡‡ | 112½ | –⅛ | 12.88 | 10.96 |
| 113½ | 107½ | Exch 13½pc 1994 | 108⅛ | –⅛ | 12.50 | 11.28 |
| 100⅝ | 95½ | Treas. 10pc Ln. 1994‡‡ | 96⅛xd | –⅛ | 10.41 | 11.05 |

### Five to Fifteen Years

| 1989 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 110¼ | 104⅛ | Exch. 12½pc 1994 | 104½ | –⅛ | 11.93 | 11.26 |
| 96½ | 91⅛ | Treas 9pc 1994‡‡ | 91½ | –⅛ | 9.79 | 11.01 |
| 108½ | 102½ | Treas 12pc 1995 | 103⅛xd | –⅛ | 11.63 | 11.22 |
| 79⅜ | 74½ | Exch 3pc Gas 90–95 | 75¼ | –⅛ | 3.96 | 8.30 |
| 101⅛ | 95¼ | Exch. 10¼pc 1995 | 96½xd | –⅛ | 10.65 | 11.08 |
| 113½ | 107⅛ | Treas 12¾pc 1995‡‡ | 107½ | –⅛ | 11.82 | 10.98 |
| 119½ | 112⅜ | Treas. 14pc '96 | 113⅛xd | –⅛ | 12.38 | 11.15 |
| 97⅛ | 91⅛ | Treas.9pc 1992–96‡‡ | 91½ | –⅛ | 9.80 | 10.71 |
| 126½ | 119⅛ | Treas 15¼pc 1996‡‡ | 119½ | –⅛ | 12.72 | 11.03 |
| 117½ | 110 | Exch 13¼pc 1996‡‡ | 110⅛ | –⅛ | 11.95 | 10.94 |
| 101⅛ | 94½ | Conversion 10pc 1996 | 95⅛ | –⅛ | 10.47 | 10.88 |
| 118⅛ | 110¼ | Treas 13¼pc 1997‡‡ | 111⅝xd | –⅛ | 11.86 | 10.94 |
| 104⅞ | 97⅛ | Exch 10½pc 1997 | 98¼ | –⅛ | 10.71 | 10.88 |
| 95½ | 88⅜ | Treas 8¾pc 1997‡‡ | 89⅜ | –⅛ | 9.75 | 10.65 |
| 128⅛ | 120⅛ | Exch 15pc 1997 | 121⅛ | –⅛ | 12.40 | 11.07 |
| 100½ | 93½ | Exch. 9¾pc 1998 | 94½xd | –⅛ | 10.30 | 10.72 |
| 84⅜ | 78⅝ | Treas 6¾pc 1995–98‡‡ | 79¼ | ..... | 8.47 | 10.29 |
| 134⅛ | 125⅜ | Treas. 15½pc '98‡‡ | 126⅛ | –⅛ | 12.25 | 10.87 |
| 113½ | 105¼ | Exch. 12pc 1998 | 106⅛ | –⅛ | 11.23 | 10.80 |
| 100⅛ | 93⅛ | Treas 9½pc 1999‡‡ | 94⅛xd | –⅛ | 10.07 | 10.44 |
| 115⅛ | 107⅜ | Exch. 12¼pc 1999 | 108½ | –⅛ | 11.27 | 10.78 |
| 105⅛ | 97⅜ | Treas. 10½pc 1999 | 99 | –⅛ | 10.62 | 10.68 |
| 104⅜ | 96⅜ | Conversion 10¼pc 1999 | 97⅛ | –⅛ | 10.50 | 10.63 |
| 94⅛ | 86⅜ | Treas. 8½pc Ln 2000‡‡ | 88¼xd | ..... | 9.64 | 10.37 |
| 97⅞ | 90 | Conversion 9pc 2000‡‡ | 91⅛ | –⅛ | 9.87 | 10.38 |
| 122⅛ | 113⅛ | Treas. 13pc 2000 | 114¼ | –⅛ | 11.36 | 10.74 |
| 103⅝ | 95⅝ | Treas 10pc 2001 | 96½ | –⅛ | 10.31 | 10.44 |
| 124½ | 115½ | Treas. 14pc '98–01 | 116⅛ | –⅛ | 12.00 | 11.01 |
| 102⅛ | 94⅛ | Conversion 9¾pc 2001 | 95½ | –⅛ | 10.20 | 10.40 |
| 113½ | 105½ | Exch. 12pc '99–02 | 106¾xd | –⅛ | 11.24 | 10.84 |
| 104⅛ | 96⅛ | Conversion 10pc 2002 | 97⅛ | –⅛ | 10.23 | 10.31 |
| 102⅛ | 94½ | Treas 9¾pc 2002 | 96 | –⅛ | 10.15 | 10.30 |
| 97⅛ | 89⅛ | Exch. 9pc 2002 | 91⅛ | –⅛ | 9.88 | 10.22 |
| 126⅛ | 117⅛ | Treas. 13¾pc 2000–03 | 118¼xd | –⅛ | 11.57 | 10.79 |
| 105⅝ | 97⅛ | Treas 10pc 2003 | 98⅛ | –⅛ | 10.16 | 10.19 |
| 113½ | 104⅛ | Treas. 11½pc 2001–04 | 106 | –⅛ | 10.85 | 10.58 |

## BRITISH FUNDS—Contd

| 1989 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 106⅛ | 97⅝ | Treas. 10pc 2004 | 99⅛ | –⅛ | 10.09 | 10.11 |

### Over Fifteen Years

| 1989 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 59⅞ | 55⅛ | Funding 3½pc '99–04 | 55½ | ..... | 6.31 | 8.93 |
| 102½ | 94¼ | Conversion 9½pc 2004 | 95½ | ..... | 9.93 | 10.05 |
| 103⅛ | 94½ | Conversion 9½pc 2005 | 96⅛ | ..... | 9.90 | 10.01 |
| 111¼ | 102⅛ | Exch.10½pc 2005 | 104 | ..... | 10.10 | 9.99 |
| 125⅛ | 115¼ | Treas. 12½pc 2003–05 | 116½ | ..... | 10.69 | 10.22 |
| 90⅜ | 82⅞ | Treas. 8pc 2002–06‡‡ | 84⅛ | –⅛ | 9.48 | 9.89 |
| 105⅜ | 97⅛ | Conversion 9¾pc 2006 | 98⅝ | ..... | 9.87 | 9.89 |
| 118½ | 109⅛ | Treas. 11¾pc 2003–07 | 111⅛xd | ..... | 10.58 | 10.22 |
| 96⅛ | 87½ | Treas 8½pc 2007 ‡‡ | 89⅝xd | ..... | 9.49 | 9.73 |
| 134⅝ | 123⅝ | Treas. 13½pc '04–08 | 125¼ | ..... | 10.77 | 10.14 |
| 101⅛ | 92⅞ | Treas. 9pc 2008 ‡‡ | 94 | ..... | 9.58 | 9.70 |
| 92⅛ | 84⅛ | Treas 8pc 2009 | 85½ | ..... | 9.35 | 9.62 |
| 102⅛ | 93⅛ | Conv 9pc Ln 2011 ‡‡ | 95⅛ | ..... | 9.47 | 9.55 |
| 68⅝ | 62½ | Treas. 5½pc 2008–12‡‡ | 63½ | –⅛ | 8.62 | 9.33 |
| 89⅞ | 82⅛ | Treas. 7¾pc 2012–15‡‡ | 83½xd | –⅛ | 9.29 | 9.49 |
| 132⅛ | 121¼ | Exch. 12pc '13–'17 | 122⅞ | +⅛ | 9.76 | 9.56 |

### Undated

| 1989 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 45⅝ | 41½ | Consols 4pc | 42⅛ | ..... | 9.45 | – |
| 40⅝ | 36⅝ | War Loan 3½pc‡‡ | 37⅛ | ..... | 9.35 | – |
| 70⅛ | 60⅜ | Conv. 3½pc '61 Aft | 65⅛ | ..... | 5.38 | – |
| 41⅛ | 31½ | Treas. 3pc '66 Aft | 34⅛ | ..... | 8.81 | – |
| 30¼ | 26 | Consols 2½pc | 26⅝xd | ..... | 9.39 | – |
| 29½ | 25¼ | Treas. 2½pc | 26⅛ | ..... | 9.48 | – |

### Index-Linked

| 1989 High | Low | Stock (b) | Price £ | + or – | (1) | (2) |
|---|---|---|---|---|---|---|
| 108½ | 103⅞ | Do. 2pc '92‡‡(97.8) | 108⅛ | –⅛ | 2.96 | 3.99 |
| 99½ | 94½ | Do. 2 '94 (102.9) | 99½ | ..... | 3.27 | 3.84 |
| 146½ | 139¼ | Do. 2pc '96(67.9) | 146⅛ | ..... | 3.36 | 3.76 |
| 124½ | 118⅛ | Do 2½pc '01(78.3) | 123⅝ | –⅛ | 3.61 | 3.87 |
| 122½ | 115⅝ | Do. 2½pc '03(78.8) | 120⅝ | –⅛ | 3.67 | 3.90 |
| 125½ | 117½ | Do. 2pc '06(69.5) | 123½xd | –⅛ | 3.67 | 3.86 |
| 117⅜ | 110¼ | Do. 2½pc '09(78.8) | 115⅛ | ..... | 3.66 | 3.84 |
| 123⅛ | 114½ | Do. 2½pc '11(74.6) | 120⅛ | –⅛ | 3.66 | 3.83 |
| 102½ | 95¼ | Do. 2½pc '13(89.2) | 99⅛ | –⅛ | 3.64 | 3.80 |
| 110½ | 101⅛ | Do. 2½pc '16(81.6) | 107¼xd | –⅛ | 3.60 | 3.75 |
| 108⅝ | 100⅞ | Do. 2½pc '20(83.0) | 105⅛ | –⅛ | 3.55 | 3.68 |
| 91⅛ | 84½ | Do. 2½pc '24‡‡(97.7) | 88½xd | –⅛ | 3.51 | 3.63 |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1988: 109.5 and for May 1989: 115.0.

## INT. BANK AND O'SEAS

| 1989 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 108½ | 99½ | African Dv Bk 11¼ Ln 2010 | 101⅛ | –⅛ | 11.00 | 10.98 |
| 104⅞ | 96¼ | Asian Dev Bk 10¼pcLn2009 | 97⅛xd | –⅛ | 10.53 | 10.56 |
| 130⅛ | 119½ | Australia 13½pc 2010 | 120½xd | –⅛ | 11.16 | 10.93 |
| 113½ | 102½ | Do. 11¾pcLn2015 | 104¼xd | –⅛ | 10.91 | 10.87 |
| 108½ | 99½ | Euro Inv Bk 11pc Ln 2002 | 101⅛ | +⅛ | 10.87 | 10.81 |
| 104½ | 95½ | Do. 10¼pc2004 | 97⅛ | –⅛ | 10.67 | 10.74 |
| 119⅛ | 109⅛ | Int-Am Dev Bk 12½pc 2003 | 110½ | +⅛ | 11.26 | 10.93 |
| 99⅛ | 90⅛ | Do. 9¾pcLn 2015 | 91½ | –⅛ | 10.62 | 10.68 |
| 97½ | 91½ | Mlysia 10¾pcLn 2009 | 91½xd | ..... | 11.75 | 11.87 |
| 120 | 118 | Utd. Mexican States 16½pc 2008 | 118 | ..... | 13.98 | 13.80 |

## CORPORATION LOANS

| 1989 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 102 | 100 | Birmingham 13½pc 1989 | 100½ | ..... | 13.43 | 11.20 |
| 111½ | 102½ | Do. 11½pc 2012 | 102½ | ..... | 11.22 | 11.20 |
| 91 | 86½ | GLC 6¾pc 1990–92 | 86½xd | ..... | 7.80 | 12.10 |
| 124½ | 14½ | Leeds 13½pc 2006 | 117½ | ..... | 11.49 | 11.16 |
| 33 | 30 | Liverpool 3½pc Irred. | 30xd | ..... | 11.67 | – |
| 94½ | 92 | LCC 6¾pc '88–90 | 93½xd | ..... | 7.22 | 12.90 |
| 30 | 27 | Do. 3pc '20 Aft | 27 | ..... | 11.11 | – |
| 107½ | 101½ | Manchester 11½pc 2007 | 102½xd | ..... | 11.22 | 11.20 |

## COMMONWEALTH & AFRICAN LOANS

| 1989 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 89½ | 86½ | NZ 7¾pc 1988–92 | 87⅜ | ..... | 8.26 | 12.00 |
| 206 | 206 | S Rhod 2½pc Non-Assid | 206 | ..... | – | – |
| 84½ | 84½ | Do. 4½pc 87–92 Assid | 84½ | ..... | 5.33 | 9.33 |

## LOANS

### Building Societies

| 1989 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 99⅜ | 98½ | N'wide Anglia 9½ 26 6 89. | 99⅛xd | ..... | 9.83 | 13.96 |
| 99½ | 98⅝ | Do. 10½pc 17 7.89 | 99⅛ | ..... | 10.73 | 14.47 |
| 99½ | 98½ | Do. 11⅛pc 7 8 89 | 99½ | ..... | 11.11 | 14.59 |
| 99½ | 98½ | Do. 11⅝pc 29.8 89 | 99½ | ..... | 11.62 | 14.17 |
| 99½ | 99⅛ | Do. 12¼pc 18 9 89 | 99⅝ | ..... | 12.45 | 14.33 |
| 99½ | 99⅛ | Do. 12⅛pc 2.10.89 | 99⅛ | ..... | 12.40 | 14.25 |
| 99½ | 98½ | Do. 11½pc 6.11.89 | 98½ | ..... | 11.94 | 14.52 |
| 100 | 98½ | Do. 12⅛pc 4.12 89 | 99⅛ | ..... | 12.43 | 14.35 |
| 100⅛ | 99⅛ | Do. 12½pc 2.1.90 | 99¼ | ..... | 12.91 | 14.33 |
| 100½ | 98⅜ | Do. 12⅛pc 29.1.90 | 98½ | ..... | 12.70 | 14.34 |
| 100 | 98¼ | Do. 12½pc 26.2 90 | 98½ | ..... | 12.84 | 14.46 |
| 102¼ | 98½ | Do. 3⅞pcIL Ln 2021 | 100 | –¼ | 4.38 | 4.45 |

### Public Board and Ind.

| 1989 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 99 | 95 | Agric. Mt. 5pc '59–89 | 99xd | ..... | 5.05 | – |
| 47 | 45 | Met. Wtr. 3pc 'B' | 46 | ..... | 6.52 | 10.41 |

## FOREIGN BONDS & RAILS

| 1989 High | Low | Stock | Price £ | + or – | Div % Gross | Red. Yield |
|---|---|---|---|---|---|---|
| 45 | 40 | Greek 7pc Ass | 40 | ..... | 3.50 | 18.75 |
| 45 | 40 | Do. 6pc 28 Stb. Ass | 40xd | ..... | 3 | 17.50 |
| 45 | 40 | Do 4pc Mixed Ass | 40xd | ..... | 2 | 15.00 |
| 80 | 65 | Hung. '24 Ass | 80 | ..... | 2.75 | 13.57 |
| 139½ | 128½ | Hydro Quebec 15pc 2011 | 129⅞ | –⅛ | 15.00 | 11.39 |
| 128½ | 118½ | Iceland 14½pc Ln 2016 | 120½xd | –⅛ | 14.50 | 11.94 |
| 97¼ | 91½ | Ireland 9¾pc '91–96 | 92½xd | ..... | 9.75 | 11.30 |

## AMERICANS

| 1989 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 39⅝ | 26¼ | Abbott Laboratories$ | 37⅞ | +1⅛ | $1.20 | – | 2.0 |
| 579p | 361p | Allegheny & W 1c | 492p | –19 | 30c | – | 3.9 |
| 17¼ | 12⅞ | Amax $1 | 16⅜ | +¼ | 80c | – | 3.1 |
| 11⅜ | 6 | Ambase Corp $1 | 8¼xd | +¼ | 20c | – | 1.4 |
| 15 | 956p | Amdahl 5c | 14¼xd | +⅛ | h10c | – | 0.4 |
| 35⅞ | 25½ | Amer. Cyanamid $5 | 35⅛ | –⅛ | $1.35 | – | 2.4 |

Continued on next page

## Money Market Bank Accounts

## Money Market Trust Funds

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## AMERICANS—Contd

| 1989 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 597p | 278p | Colliast Stwr 1c | 597p | +62 | – | – | – |
| 27½ | 21 | Dana Corp. $1 | 27¼ | +⅛ | $1.60 | – | 3.7 |
| 12 | 854p | Data General | 11¾ | ..... | – | – | – |
| 37½ | 28⅞ | Dun & Bradstreet $1 | 37¼ | +⅜ | $2.00 | – | 3.4 |
| 41¼ | 30½ | Eaton Corpn. 50c | 40¼xd | ..... | ½$2.00 | – | 3.2 |
| 11¼ | 8⅞ | Echlin Inc | 11 | +⅛ | 70c | – | 4.0 |
| 20⅝ | 16⅞ | FPL Group 1c | 20¼xd | +⅛ | $2.28 | – | 7.1 |
| 32⅞ | 27⅝ | Ford Motor $1 | 32 | +⅜ | $3.00 | – | 5.9 |
| 45⅝ | 30 | GATX 62½c | 44¼xd | +⅞ | $2.00 | – | 2.8 |
| 35¼ | 24¼ | Gen. Elect. 63c | 34⅜ | +¼ | $1.64 | – | 3.0 |
| 568p | 484p | General Host Corp $1 | 541p | +11 | 30c | – | 3.5 |
| 39¼ | 18¼ | Gillette $1 | 25⅞ | +⅛ | 96c | – | 2.3 |
| 987p | 616p | Gt Am First Svgs Bk $1 | 839p | –4 | 60c | – | 4.5 |
| 23⅝ | 16 | Greyhound $1½ | 23¼ | +1 | $1.32 | – | 3.6 |
| 13⅞ | 847p | Hasbro Inc 50c | 13¼ | –¼ | 16c | – | 0.8 |
| 49⅞ | 32¾ | Honeywell $1½ | 48xd | +1 | $2.10 | – | 2.7 |
| 21¼ | 15¼ | Houston Inds. ‖ | 21¼ | +½ | $2.96 | – | 8.8 |
| 74⅝ | 63 | IBM Corpn $1¼ | 71½xd | +¼ | $4.84 | – | 4.3 |
| 55p | 45p | Image Storage/R.Sys.1c | 47p | ..... | – | – | – |
| 28¼ | 18¼ | Ingersoll-Rand $2 | 27½xd | +⅛ | $1.20 | – | 2.8 |
| 33 | 22½ | Lockheed Crpn. $1 | 31⅛xd | +¼ | $1.60 | – | 3.2 |
| 22⅞ | 15 | Lone Star Inds $1 | 20⅞xd | –⅛ | $1.90 | – | 6.0 |
| 25 | 17½ | Louisiana Land 15c | 24xd | +¼ | $1.00 | – | 2.6 |
| 17 | 11½ | Lowe's 50c | 17 | +¼ | 48c | – | 1.8 |
| 25 | 15 | Manuf. Hanover $1 | 25 | +⅜ | $3.28 | – | 8.3 |
| 20½ | 13 | Merrill Lynch $1 | 19⅞ | +⅜ | $1.00 | – | 3.2 |
| 2253p | 1910p | Molex Inc | 2070p | –18 | 3.2c | – | – |
| 27 | 18¼ | Morgan (JP) $2½ | 25½xd | +⅞ | $1.66 | – | 4.1 |
| 54½ | 36¼ | NYNEX $1 | 52 | +⅛ | $4.36 | – | 5.3 |
| 24⅝ | 18¼ | PHH Corp. ‖ | 23¾ | +¼ | $1.12 | – | 3.0 |
| 259p | 220p | Pacific Agr. ‖ | 249p | –10 | – | – | – |
| 27¼ | 19 | Pacificorp $3¼ | 26½ | +⅛ | $2.76 | – | 6.3 |

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## THIRD MARKET

## NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † *Interim since increased or resumed*
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ *Not officially listed.*
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § *Forecast dividend; cover on earnings updated by latest interim statement.*
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Albany Inv 20p.... γ | 99 | +1 |
| Craig & Rose £1... γ | 720 | ...... |
| *Finlay Pkg. 5p.... γ* | 88 | ...... |
| Holt (Jos) 25p..... γ | 1325 | ...... |

### IRISH

| | | |
|---|---|---|
| Cap. 8½% Ln. 1991... | £98 | ...... |
| 9pc Cap Ln. 1996... | £98½ | ...... |
| Fin. 13% 97/02... | £119 | ...... |
| Arnotts.......... | 425 | ...... |
| Carrol (P.J.)...... γ | 145xd | −2 |
| Hall (R. & H.)...... | 165 | ...... |
| Heiton Hldgs...... γ | 73 | ...... |
| Irish Ropes......... | 203 | ...... |
| United Drug........ | 136 | ...... |

## TRADITIONAL OPTIONS

3-month call rates

| Industrials | p |
|---|---|
| Allied-Lyons | 38 |
| Amstrad | 11 |
| BAT | 45 |
| BOC Grp | 42 |
| BSR | 6½ |
| BTR | 32 |
| Barclays | 42 |
| Beecham | 50 |
| Blue Circle | 48 |
| Boots | 25 |
| Bowaters | 44 |
| Brit Aerospace | 52 |
| British Steel | 7½ |
| Brit. Telecom | 21 |
| Burton Ord | 18 |
| Cadburys | 31 |
| Charter Cons | 48 |
| Comm Union | 32 |
| Courtaulds | 30 |
| FKI Babcock | 14 |
| FNFC | 22 |
| *Gen Accident* | 85 |
| GEC | 28 |
| Glaxo | 110 |
| Grand Met | 48 |
| GUS 'A' | 90 |
| Guardian | 18 |
| GKN | 34 |
| Hanson | 16 |
| Hawker Sidd | 60 |
| ICI | 100 |
| Jaguar | 28 |
| Ladbroke | 48 |
| Legal & Gen | 26 |
| Lex Service | 33 |
| Lloyds Bank | 29 |
| *Lucas Inds* | 58 |
| Marks & Spencer | 15 |
| Midland Bk | 38 |
| Morgan Grenfell | 24 |
| Nat West Bk | 25 |
| P & O Dfd | 55 |
| Plessey | 22 |
| Polly Peck | 26 |
| Racal Elect | 40 |
| RHM | 42 |
| Rank Org Ord | 88 |
| Reed Intnl | 34 |
| STC | 32 |
| Sears | 10 |
| TI | 38 |
| TSB | 10 |
| Tesco | 14 |
| Thorn EMI | 58 |
| Trust Houses | 24 |
| T&N | 18 |
| *Unilever* | 46 |
| Vickers | 18 |
| Wellcome | 42 |
| **Property** | |
| Brit Land | 32 |
| Land Securities | 52 |
| *MEPC* | 50 |
| Randsworth | 28 |
| **Oils** | |
| Brit Petroleum | 21 |
| Burmah Oil | 50 |
| Calor | 35 |
| Charterhall | 2½ |
| Premier | 9 |
| Shell | 32 |
| Ultramar | 26 |
| **Mines** | |
| Cons Gold | 100 |
| Lonrho | 30 |
| RTZ | 40 |

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar tests DM1.97 support

THE DOLLAR drifted down from a firm start to finish weaker on the day in Europe. Lack of economic news left the foreign exchanges quiet. This was exaggerated by the short trading day in London, with many dealing rooms winding down their operations early because of the disruption to transport services.

The US currency is locked in a range of DM1.9700 to DM2.05 at present, with pressure building up on the down side after last week's failure to break through resistance at DM2.05 following publication of the US trade figures.

Barclays de Zoete Wedd has suggested that DM1.9700 is a strong support level where the dollar will consolidate before moving up again, but the market is generally uncertain about its future direction amid concern that sentiment could be moving against the currency.

At last night's close in Europe the dollar was holding tight against its lower support level, finishing at DM1.9700 compared with DM1.9780 on Tuesday. It also fell to Y143.75 from Y144.05; to SFr1.7025 from SFr1.7100; and to FFr6.6875 from FFr6.7125. On Bank of England figures the dollar's index was unchanged at 72.3.

There was no reaction to publication of the Federal Reserve's "Beige Book" which indicates recent economic trends, and points to continued US growth, but at a slower rate.

Today's revised figure on first quarter US gross national product growth is unlikely to provide much further guidance. According to a survey by MMS International, growth will be revised down to 4.1 per cent from 4.3 per cent. Tomorrow's announcement of durable goods orders is also unlikely to cause any great stir in the market, with the market looking for a rise of 0.5 per cent in May against 3 per cent in April.

Sterling rallied from a weak start against the dollar, but failed to recover early losses against most other currencies. Dealers said sentiment was not helped by a news agency story describing yesterday's strikes by railway and bus workers as the first transport strike on such a scale in the capital since Britain's general strike in 1926.

This report met with a fairly predictable reaction from overseas holders of sterling and was quickly followed by early intervention by the Bank of England to steady the market. The pound lost over 2 cents in early London trading, falling to a low of $1.5275, before Bank of England support led to a gradual recovery, with the pound eventually clawing its way up to close unchanged at $1.5495.

On the other hand, it fell to DM3.0525 from DM3.0660. BZW pointed out that when sterling broke through DM3.00 in March last year it jumped from DM2.9975 to DM3.0475 in one day. This suggests there is no technical support between these figures and if the pound should move much lower it could quickly fall to DM3.00.

Sterling also fell to Y222.75 from Y223.25 yesterday; to SFr2.6375 from SFr2.6500.

### £ IN NEW YORK

| June.21 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.5495-1.5505 | 1.5400-1.5410 |
| 1 month | 1.21-1.19pm | 0.59-0.56pm |
| 3 months | 1.88-1.85pm | 1.76-1.71 |
| 12 months | 7.10-7.00pm | 6.60-6.45 |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | June.21 | Previous |
|---|---|---|
| 8.30 am | 90.3 | 91.0 |
| 9.00 am | 90.6 | 91.3 |
| 10.00 am | 90.4 | 91.1 |
| 11.00 am | 90.4 | 91.1 |
| Noon | 90.4 | 91.1 |
| 1.00 pm | 90.4 | 91.1 |
| 2.00 pm | 90.4 | 91.2 |
| 3.00 pm | 90.6 | 91.2 |
| 4.00 pm | 90.6 | 91.0 |

### CURRENCY RATES

| June.21 | Bank rate % | Special* Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling # | - | 1.25227 | 1.47454 |
| U.S Dollar | 7 | 1.2437 | 1.04080 |
| Canadian $ | 12.39 | 1.49174 | 1.24719 |
| Austrian Sch. | 5 | 17.2469 | 14.5816 |
| Belgian Franc | 7.75 | 51.3168 | 43.3440 |
| Danish Krone | 7½ | 9.53707 | 8.05577 |
| Deutsche Mark | 4.50 | 2.4517 | 2.07067 |
| Neth. Guilder | 5.50 | 2.76089 | 2.33180 |
| French Franc | 9½ | 8.3132 | 7.02278 |
| Italian Lira | 13½ | N/A | 1500.62 |
| Japanese Yen | 2½ | 178.54 | 150.936 |
| Norway Krone | 8 | 8.88905 | 7.50623 |
| Spanish Peseta | - | 155.704 | 131.661 |
| Swedish Krona | 9½ | 8.26527 | 6.97855 |
| Swiss Franc | 4.5 | 2.11995 | 1.79590 |
| Greek Drach. | 20½ | 210.876 | 178.028 |
| Irish Punt | - | N/A | 0.776425 |

# Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for June.20

### CURRENCY MOVEMENTS

| June.21 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 90.6 | -20.0 |
| U.S Dollar | 72.3 | -5.3 |
| Canadian Dollar | 103.9 | +0.1 |
| Austrian Schilling | 106.5 | +9.6 |
| Belgian Franc | 105.9 | -6.1 |
| Danish Krone | 103.0 | -1.9 |
| Deutsche Mark | 112.6 | +20.1 |
| Swiss Franc | 106.5 | +15.5 |
| Guilder | 110.1 | +13.2 |
| French Franc | 99.0 | -15.7 |
| Lira | 98.7 | -19.3 |
| Yen | [illegible] | [illegible] |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) [illegible]

### OTHER CURRENCIES

[illegible]

| | £ | $* |
|---|---|---|
| N. Zealand | 2.6590-2.6640 | 1.7340-1.7370 |
| Saudi Ar. | 5.7380-5.7435 | 3.7515-3.7525 |
| Singapore | 3.0295-3.0340 | 1.9590-1.9610 |
| S. Af (Cm) | 4.3350-4.3375 | 2.8030-2.8045 |
| S. Af (Fn) | 6.0415-6.1615 | 3.9065-3.9840 |
| Taiwan | 40.20-40.30 | 26.00-26.05 |
| U.A.E. | 5.6145-5.6215 | 3.6720-3.6730 |

*Selling rate

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu June.21 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 43.3440 | +2.09 | +0.95 | ±1.5344 |
| Danish Krone | 7.85212 | 8.05577 | +2.59 | +1.45 | ±1.5404 |
| German D-Mark | 2.05853 | 2.07067 | +0.59 | -0.55 | ±1.0981 |
| French Franc | 6.90403 | 7.02278 | +1.72 | +0.58 | ±1.3674 |
| Dutch Guilder | 2.31943 | 2.33180 | +0.53 | -0.61 | ±1.5012 |
| Irish Punt | 0.768411 | 0.776425 | +1.04 | -0.10 | ±1.6684 |
| Italian Lira | 1483.58 | 1500.62 | +1.15 | +0.01 | ±4.0752 |
| Spanish Peseta | 133.804 | 131.661 | -1.07 | +0.51 | N/A |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### POUND SPOT- FORWARD AGAINST THE POUND

| June.21 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.5275-1.5540 | 1.5490-1.5500 | 0.56-0.53cpm | 4.22 | 1.74-1.70pm | 4.44 |
| Canada | 1.8355-1.8570 | 1.8530-1.8540 | 0.24-0.15cpm | 1.26 | 0.79-0.65pm | 1.55 |
| Netherlands | 3.42½-3.44½ | 3.43¼-3.44¼ | 2¼-1⅞cpm | 6.96 | 5¾-5½pm | 6.53 |
| Belgium | 63.65-64.15 | 63.70-63.80 | 31-29cpm | 5.65 | 87-83pm | 5.33 |
| Denmark | 11.85¼-11.88¼ | 11.86-11.87 | 5⅛-4½orepm | 4.87 | 14¼-13½ | 4.68 |
| Ireland | 1.1410-1.1465 | 1.1415-1.1425 | 0.55-0.50pm | 5.52 | 1.40-1.30pm | 4.73 |
| W. Germany | 3.04-3.06 | 3.05-3.05½ | 1⅞-1¾pfpm | 7.13 | 5¼-5¼pm | 6.88 |
| Portugal | 253.25-256.65 | 255.35-256.35 | 8-57cdis | 1.52 | 130-230dis | 2.81 |
| Spain | 192.80-194.80 | 192.85-193.15 | 56-38cpm | 2.92 | 101-83pm | 1.91 |
| Italy | 2208-2213¾ | 2212¼-2213¼ | 5-3lirepm | 2.17 | 10-8pm | 1.63 |
| Norway | 11.05½-11.15 | 11.14-11.15 | 2⅞-2¼orepm | 2.69 | 7¾-6⅝pm | 2.49 |
| France | 10.32¼-10.37½ | 10.35¾-10.36¾ | 4⅛-4cpm | 4.85 | 12⅝-12¼ | 4.78 |
| Sweden | 10.28-10.34 | 10.32¾-10.33¾ | 2⅛-1¾cpm | 2.25 | 6¼-5⅝pm | 2.27 |
| Japan | 221¾-223¼ | 222¼-223¼ | 1¾-1½ypm | 8.75 | 4¾-4½pm | 8.31 |
| Austria | 21.46-21.60 | 21.56-21.59 | 12-10gropm | 6.12 | 35-32pm | 6.21 |
| Switzerland | 2.62¼-2.65½ | 2.63¾-2.64¾ | 1⅝-1½cpm | 7.11 | 4½-4¼pm | 6.64 |
| ECU | 1.4730-1.5015 | 1.4730-1.4740 | 0.63-0.60ypm | 5.01 | 1.78-1.73pm | 4.76 |

Commercial rates towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.10-64.20. Six-month forward dollar 3.63-3.58cpm 12 months 6.60-6.50cpm

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

| June.21 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.5275-1.5540 | 1.5490-1.5500 | 0.56-0.53cpm | 4.22 | 1.74-1.70pm | 4.44 |
| Ireland† | 1.3370-1.3535 | 1.3525-1.3535 | 0.11-0.16cdis | -1.21 | 0.13-0.23dis | -0.54 |
| Canada | 1.1960-1.1995 | 1.1965-1.1975 | 0.29-0.31cdis | -3.01 | 0.85-0.90dis | -2.92 |
| Netherlands | 2.2150-2.2465 | 2.2175-2.2185 | 0.47-0.45cpm | 2.47 | 1.29-1.25pm | 2.27 |
| Belgium | 41.05-41.75 | 41.10-41.20 | 4.70-3.20cpm | 1.14 | 11.50-8.50pm | 0.96 |
| Denmark | 7.65½-7.75¼ | 7.65½-7.66 | 0.50-0.15orepm | 0.50 | 0.65-0.15pm | 0.21 |
| W. Germany | 1.9620-1.9915 | 1.9695-1.9705 | 0.48-0.45pfpm | 2.81 | 1.29-1.25pm | 2.56 |
| Portugal | 164.25-165.85 | 164.25-164.35 | 60-90cdis | -5.42 | 220-280dis | -6.02 |
| Spain | 124.70-126.70 | 124.70-124.80 | 15-25cdis | -1.90 | 80-105dis | -2.93 |
| Italy | 1425½-1444¼ | 1427¾-1428¼ | 3.30-3.80liredis | -2.96 | 9.80-10.50dis | -2.82 |
| Norway | 7.19-7.22¾ | 7.19-7.19½ | 0.55-0.90oredis | -1.21 | 2.65-3.15dis | -1.61 |
| France | 6.66½-6.76 | 6.68½-6.69 | 0.38-0.35cpm | 0.65 | 0.90-0.75pm | 0.49 |
| Sweden | 6.66-6.72 | 6.66¾-6.67¼ | 1.00-1.15oredis | -1.93 | 3.05-3.40dis | -1.93 |
| Japan | 143.25-145.35 | 143.70-143.80 | 0.53-0.51ypm | 4.30 | 1.53-1.50pm | 4.18 |
| Austria | 13.95¼-14.03 | 13.95½-13.96 | 2.75-2.25gropm | 2.15 | 8.00-6.50pm | 2.07 |
| Switzerland | 1.6945-1.7305 | 1.7020-1.7030 | 0.38-0.35cpm | 2.54 | 1.04-1.00pm | 2.37 |
| ECU | 1.0405-1.0495 | 1.0485-1.0495 | 0.50-0.60cdis | -6.29 | 0.60-0.90dis | -2.86 |

Commercial rates towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.30-41.40.

### EURO-CURRENCY INTEREST RATES

| June.21 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 12¾-12⅝ | 13⅛-12¾ | 13⅞-13⅞ | 14⅛-14 | 14⅛-14¼ | 14¼-14⅛ |
| US Dollar | 9½-9¾ | 9½-9⅜ | 9⅝-9½ | 9⅞-9⅞ | 9⅝-9¼ | 9⅞-9⅞ |
| Can. Dollar | 12½-12¼ | 12⅝-12¼ | 12⅞-12⅞ | 12⅞-12⅞ | 12-11⅞ | 12⅝-12¼ |
| D. Guilder | 6⅞-6⅞ | 6⅞-6⅞ | 7⅛-6⅞ | 7¼-7⅛ | 7⅛-7⅛ | 7⅞-7⅛ |
| Sw. Franc | 7-6⅞ | 7⅛-6⅞ | 7-6⅞ | 7-6⅞ | 6⅞-6⅞ | 6⅞-6⅞ |
| Deutschmark | 6⅞-6⅞ | 6⅞-6⅞ | 6⅞-6⅞ | 6⅞-6¾ | 7-6⅞ | 7⅛-7 |
| Fr. Franc | 8⅞-8⅞ | 8⅞-8⅞ | 8⅞-8⅞ | 8⅞-8⅞ | 9-8⅞ | 9⅛-8⅞ |
| Italian Lire | 11-9 | 12-11 | 12⅛-11¾ | 12⅛-11¾ | 12¼-11⅞ | 12⅞-12¼ |
| B. Fr. (Fin) | 6⅞-6¾ | 8⅛-8 | 8⅞-8¼ | 8⅞-8¾ | 8⅞-8¼ | 8⅞-8¼ |
| B. Fr. (Con.) | 6⅞-6½ | 8¼-7⅞ | 8⅞-8⅞ | 8⅞-8⅞ | 8¼-8⅞ | 8⅞-8⅞ |
| Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| D. Krone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Long term Eurodollars: two years 9¼-9⅛ per cent; three years 9¼-9⅛ per cent; four years 9¼-9⅛ per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |
| H Fl. | 0.291 | 0.451 | 0.888 | 64.81 | 3.013 | [illegible] | | | | |
| Lira | 0.452 | 0.700 | 1.380 | 100.7 | 4.681 | [illegible] | | | | |
| C $ | 0.539 | 0.836 | 1.647 | 120.2 | 5.588 | [illegible] | | | | |
| B Fr. | 1.569 | 2.431 | 4.789 | 349.5 | 16.25 | [illegible] | | | | |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES

# Transport benefits for Liffe

TRADING ON the Liffe market was brisker than might have been expected, given the difficulties with transportation into the City yesterday. The transport problem was one of the main reasons keeping futures active, simply because the cash market lacked much of the back-room staff necessary to keep it operating. Liffe has an automated settlement system, and this ran as normal with Liffe reporting virtually a full complement of traders at work yesterday.

Many banks had decided to keep cash trading to a minimum and this tended to push rates between cash and futures out of line. Three-month interbank eased on the money market - partly as a result of a rally by sterling against the dollar - but there was generally little trade in cash, while the price of short sterling futures weakened on Liffe.

Dealers said this was because the Liffe market was the obvious area for underlying sentiment to show through in yesterday's unusual conditions. The easing of cash interest rates may have suggested there was not too much to worry about, but this was not the view seen from Liffe.

In an active market, trading over 28,000 lots for September delivery, short sterling fell to 85.65 from 85.80, reflecting nervousness ahead of next week's UK trade figures for May and an underlying concern about the UK economy and the pound.

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE £/$ OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT [illegible]

7-10 YEAR 9% NOTIONAL GILT [illegible]

US TREASURY BONDS 8% [illegible]

6% NOTIONAL GERMAN GOVT. BOND [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND [illegible]

THREE MONTH STERLING [illegible]

THREE MONTH EURODOLLAR [illegible]

THREE MONTH EUROMARK [illegible]

FT-SE 100 INDEX [illegible]

POUND-$ (FOREIGN EXCHANGE) [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% [illegible]

JAPANESE YEN (IMM) [illegible]

DEUTSCHE MARK (IMM) [illegible]

U.S. TREASURY BILLS (IMM) [illegible]

THREE-MONTH EURODOLLAR (IMM) [illegible]

SWISS FRANC (IMM) [illegible]

STANDARD & POORS 500 INDEX [illegible]

### EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 78,178

A=Ask B=Bid C=Call P=Put

## MONEY MARKETS

# Trading restricted

INTEREST RATES declined from a firm start on the London money market yesterday to finish lower on the day in very thin trading.

Three-month interbank initially rose to 14⅛-14⅛ per cent from 14⅛-14 per cent as sterling fell 2 cents against the dollar. As the pound recovered, helped by Bank of England intervention, rates fell back and three-month money finished at 14-13⅞ per cent.

Credit conditions were very comfortable in London. The Bank of England forecast a day-to-day surplus of £500m. Problems over travelling conditions, caused by strikes virtually halting London's public transport, meant that dealers were keen to square their books early. Volume of trade in the cash market was severely restricted by the lack of staff, such as bank messengers and those involved in settlement procedures.

The Bank of England absorbed surplus funds before lunch by selling £490m Treasury bills, due July 7, at rates of 13¼-13⅜ per cent. There was no further action by the authorities in the afternoon.

Bills maturing outside the hands of the Bank of England added a net £148m to liquidity, with Exchequer transactions adding £480. These factors outweighed a rise in the note circulation draining £110m and bank balances below target of £5m.

In New York the Federal Reserve kept out of the money market, as credit conditions tightened, after a period when there has been a consistent need to drain surplus liquidity. The market is now entering a phase when the authorities are expected to add funds, as tax payments lead to rising Treasury reserves and a fall in money held by the banks.

In Frankfurt banks showed no concern at a net drain of liquidity from the Bundesbank's 35-day securities repurchase agreement tender. Call money was steady at 6.4 per cent, in spite of earlier worries that large tax payments would tighten credit conditions this week. The Bundesbank accepted bids of DM8.8bn at this week's tender, failing to fully compensate for DM8.3bn leaving the banking system as an earlier repurchase pact expired. Money was allocated at rates between 6.50 per cent and 6.75 per cent.

In Paris the Bank of France left its money market intervention rate at 8.25 per cent when injecting funds into the money market. The central bank accepted bids of FFr61.4bn, more than replacing the FFr53.1bn draining from the market as an earlier agreement expired. The five to 10-day repurchase rate was unchanged at 9 per cent.

UK clearing bank base lending rate 14 per cent from May 24

### FT LONDON INTERBANK FIXING

[illegible]

### MONEY RATES

NEW YORK — Treasury Bills and Bonds [illegible]

[illegible]

### LONDON MONEY RATES

[illegible]

### BASE LENDING RATES

[illegible]



JOTTER PAD

## CROSSWORD

No.6,966 Set by FETTLER

ACROSS

1 Skill, a mixed facet, is needed to produce this piece (9)
5 Plain herbal remedy (6)
9 Incomplete fee affected master driver (8)
10 Goblin is right into malice (6)
12 Range that's distant, and on eagles' wings (5)
13 Speculative article on erotic deviations (9)
14 Stop bishop or something distasteful will result (6)
16 A single head guarantees homogeneity (7)
19 In alcoves I clearly see a cavity (7)
21 Mind Manx puss (6)
23 Red-linked agitation incited once again (9)
25 Say! Being in the club – gave birth (5)
26 Iceman is sickly and pale (6)
27 Confine in ruined cortiles (8)
28 Drier high-flier? (6)
29 Stepped around judge and went in front (8)

DOWN

1 Noisy or not, it's real (6)
2 The stage entrances – or parts do anyway (4-6)
3 Resolute saint abstains from food (5)
4 He's shady yet caught the sun (7)
6 Setter's ideal tense (9)
7 Stop to indicate (5)
8 Practice PT (8)
11 He's seen in the role of champion (4)
15 Covert net cord, i.e. sneaky (9)
17 See apostate renege before spontaneous movement is active (9)
18 Dull – as producer is to actors (8)
20 All in Germany back her (4)
21 One interfering doctor led me astray (7)
22 Being unyielding, church-going – looked fixedly (6)
24 Audience require massage (5)
25 Instruction must be concise (5)

Solution to Puzzle No.6,965

[illegible]

# WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

[illegible]

## CANADA

### TORONTO

*2pm prices June 21*

Quotations in cents unless marked $.

[illegible]

†–No voting rights or restricted voting rights.

## INDICES

### NEW YORK — DOW JONES

| | June 20 | June 19 | June 16 | June 15 | 1989 High | 1989 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 2472.88 | 2480.8 | 2486.38 | 2475.00 | 2518.66 (12/6) | 2144.64 (3/1) | 2722.42 (25/8/87) | 41.22 (2/7/32) |
| Home Bonds | 91.94 | 92.19 | 92.31 | 92.44 | 92.52 (14/6) | 87.35 (23/3) | – | – |
| Transport | 1167.37 | 1149.09 | 1140.52 | 1139.55 | 1167.37 (20/6) | 959.95 (3/1) | 1167.37 (20/6/89) | 12.32 (8/7/32) |
| Utilities | 205.67 | 205.67 | 205.73 | 205.19 | 206.50 (12/6) | 181.84 (24/2) | 227.83 (22/1/87) | 10.50 (8/4/32) |

♦Day's High 2496.02 (2497.15) Low 2463.96 (2465.10)

| STANDARD AND POOR'S | June 20 | June 19 | June 16 | June 15 | 1989 High | 1989 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 321.25 | 321.89 | 321.35 | 320.08 | 326.95 (7/6) | 275.31 (3/1) | 336.77 (25/8/87) | 4.40 (1/6/32) |
| Industrial | 367.37 | 368.12 | 367.74 | 366.20 | 373.82 (7/6) | 318.66 (3/11) | 393.17 (25/8/87) | 3.62 (21/6/32) |
| Financial | 30.88 | 30.79 | 30.66 | 30.51 | 31.35 (9/6) | 24.30 (3/1) | 32.43 (25/8/87) | 8.64 (1/10/74) |
| NYSE Composite | 179.50 | 179.79 | 179.59 | 178.97 | 182.37 (9/6) | 154.98 (3/1) | 187.99 (25/8/87) | 4.46 (25/4/42) |
| Amex Mkt. Value | 361.72 | 362.39 | 361.83 | 361.00 | 366.16 (9/6) | 305.24 (3/1) | 365.01 (13/8/87) | 29.31 (9/12/72) |
| NASDAQ OTC Comp | 444.58 | 446.09 | 447.21 | 447.10 | 453.65 (9/6) | 378.56 (3/1) | 455.28 (26/8/87) | 54.87 (31/10/72) |

| | Jun 16 | Jun 9 | Jun 2 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.59 | 3.51 | 3.38 | 3.55 |
| | June 14 | June 7 | May 31 | year ago (approx.) |
| S & P Industrial div. yield | 3.00 | 2.98 | 3.02 | 2.94 |
| S & P Indl. P/E ratio | 13.62 | 13.75 | 13.53 | 15.35 |

TRADING ACTIVITY † Volume

| Millions | June 20 | June 19 | June 16 |
|---|---|---|---|
| New York | 164.348 | 128.884 | 244.551 |
| Amex | 12.473 | 9.625 | 11.403 |
| OTC | 137.064 | 109.591 | 132.112 |

| NEW YORK | June 20 | June 19 | June 16 |
|---|---|---|---|
| Issues Traded | 1,942 | 1,939 | 1,962 |
| Rises | 651 | 668 | 802 |
| Falls | 758 | 723 | 625 |
| Unchanged | 533 | 548 | 535 |
| New Highs | 76 | 67 | 61 |
| New Lows | 17 | 15 | 14 |

### CANADA

| TORONTO | June 20 | June 19 | June 16 | June 15 | 1989 High | 1989 Low |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3296.1 | 3309.8 | 3303.4 | 3287.4 | 3564.9 (6/2) | 3207.5 (3/1) |
| Composite | 3747.0 | 3751.2 | 3745.1 | 3737.4 | 3806.1 (8/6) | 3350.5 (6/1) |
| MONTREAL Portfolio | 1899.26 | 1901.55 | 1896.63 | 1893.68 | 1948.46 (9/6) | 1677.48 (3/1) |

### NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Closing price | Change on day | | Stocks traded | Closing price | Change on day |
|---|---|---|---|---|---|---|---|
| Morgan (JP) xd | 7,126,000 | 39 | – ¼ | Syntex | 1,852,800 | 48 | – 1⅝ |
| Harcourt Brace | 3,759,500 | 13⅞ | + 3⅜ | Bank of Boston | 1,651,300 | 28⅜ | – ⅛ |
| ColHast | 2,804,300 | 9¼ | + ¼ | Time | 1,559,400 | 152½ | – 4⅜ |
| Warner Comms | 2,682,100 | 59½ | – ⅛ | Comp Assoc | 1,533,500 | 19⅝ | + ⅛ |
| Union Carbide | 2,457,000 | 29¼ | – ⅛ | Unisys Corp | 1,529,100 | 24⅝ | – ⅛ |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | June 21 | June 20 | June 19 | June 16 | 1989 High | 1989 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1528.2 | 1536.6 | 1526.7 | 1528.7 | 1583.7 (23/5) | 1412.9 (7/4) |
| All Mining (1/1/80) | 690.8 | 693.7 | 689.1 | 691.3 | 727.0 (26/1) | 652.6 (7/4) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 366.67 | 365.48 | 364.09 | 359.41 | 366.67 (21/6) | 219.5 (2/1) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/80) | 6126.26 | 6129.73 | 6124.89 | 6120.20 | 6158.43 (13/6) | 5519.30 (4/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 319.37 | 331.17 | 333.05 | 334.89 | 334.89 (16/6) | 275.49 (27/2) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 783.5 | 786.0 | (u) | 795.9 | 815.8 (18/4) | 723.3 (4/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 481.2 | 476.4 | 476.3 | 480.4 | 487.9 (9/6) | 417.9 (4/1) |
| Ind. Tendance (30/12/88) | 113.0 | 112.5 | 111.8 | 112.2 | 114.5 (5/6) | 97.5 (27/2) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 615.05 | 617.18 | 608.31 | 599.09 | 617.18 (20/6) | 535.78 (27/2) |
| Commerzbank (1/12/53) | 1829.5 | 1837.9 | 1808.5 | 1779.8 | 1837.9 (20/6) | 1595.7 (27/2) |
| DAX (30/12/87) | 1474.61 | 1472.11 | 1456.99 | 1426.54 | 1474.61 (21/6) | 1271.70 (23/2) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 2272.50 | 2337.71 | (c) | 2342.41 | 3309.64 (15/5) | 2093.61 (5/6) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 643.44 | 642.96 | 648.68 | 651.72 | 651.72 (16/6) | 577.49 (28/2) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 33345.28 | 33233.47 | 33013.18 | 33055.1 | 34266.75 (31/5) | 30183.79 (5/1) |
| Tokyo SE (Topix) (4/1/68) | 2469.40 | 2456.63 | 2443.71 | 2440.17 | 2544.60 (8/5) | 2366.91 (6/1) |
| **NETHERLANDS** | | | | | | |
| CBS Tll.Rtn.Gen. (End 1983) | 251.6 | 251.5 | 251.2 | 249.6 | 251.6 (21/6) | 208.3 (3/1) |
| CBS All Shr (End 1983) | 195.9 | 195.9 | 195.6 | 194.1 | 195.9 (20/6) | 166.7 (1/3) |
| **NORWAY** | | | | | | |
| Oslo SE (2/1/83) | 630.66 | 632.56 | 624.83 | 626.84 | 665.61 (19/4) | 467.17 (2/1) |
| **SINGAPORE** | | | | | | |
| Straits Times Ind. (30/12/66) | 1302.30 | 1303.12 | 1304.40 | 1296.52 | 1310.02 (17/5) | 1030.69 (4/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1421.0♦ | 1441.0 | 1427.0 | 1446.0 | 1639.0 (23/3) | 1291.0 (15/2) |
| JSE Industrial (28/9/78) | 2534.0♦ | 2530.0 | 2533.0 | 2549.0 | 2581.0 (28/4) | 1961.0 (3/1) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 311.15 | 310.54 | 310.38 | 309.61 | 315.90 (13/6) | 268.61 (1/3) |
| **SWEDEN** | | | | | | |
| Jacobson & P. (31/12/56) | 4125.51 | 4114.8 | 4119.8 | 4137.2 | 4137.2 (16/6) | 3333.9 (3/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 746.8 | 742.2 | 735.8 | 733.0 | 746.8 (21/6) | 613.1 (3/1) |
| **WORLD** | | | | | | |
| M.S. Capital Intl. (1/1/70) | (u) | 496.0 | 492.4 | 490.5 | 519.0 (17/2) | 487.6 (13/6) |

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks

Wednesday June 21 1989

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| KHI | 46.2m | 1,190 | +100 | Sumito Metal | 11.6m | 820 | 0 |
| MHI | 45.6m | 1,200 | +20 | Meico | 11.1m | 1,200 | +10 |
| IHI | 19.9m | 1,220 | +30 | NEC | 10.8m | 1,960 | +30 |
| Sharp | 16.9m | 1,500 | 0 | Shimadzu | 9.6m | 1,630 | +40 |
| Toshiba | 13.3m | 1,410 | 0 | Hitachi | 7.8m | 1,640 | +30 |

3pm prices June 21

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A – A – A – | | | | | | | | |
| 32⅛ | 21⅛ | AAR | .44 | 1.5 | 19 | 959 | 29½ | 29⅛ | 29⅛ | – ⅛ |
| 10⅛ | 8⅞ | ACM n | 1.01 | 11. | | 102 | 9⅞ | 9 | 9⅛ | |
| 11⅞ | 10⅛ | ACMIn | 1.26a | 11. | | 468 | 11⅛ | 10⅞ | 11 | + ⅛ |
| 11⅛ | 8½ | ACM M n | 1.01 | 11. | | 224 | 9⅝ | 9⅜ | 9½ | |
| 11⅝ | 10 | ACM Sc | 1.26 | 11. | | 655 | 11 | 10⅞ | 11 | + ⅛ |
| 9⅞ | 8⅞ | ACMSp | 1.01 | 11. | | 378 | 9⅛ | 9⅛ | 9⅛ | + ⅛ |
| 17⅛ | 10⅞ | AL Lab | .12 | .7 | 19 | 427 | 16⅝ | 16½ | 16⅝ | + ⅛ |
| 4⅝ | 3⅛ | AMCA | .12e | 3.1 | 26 | 33 | 4 | 3⅞ | 3⅞ | – ⅛ |
| 6⅛ | 3½ | AM Ind | | | | 2126 | 5⅜ | 5⅛ | 5⅛ | |
| 23½ | 18⅛ | AM In pf | 2 | 9.5 | | 11 | 21⅛ | 21⅛ | 21⅛ | |
| 65⅝ | 40⅞ | AMR | | | 8 | 6606 | 65⅛ | 63⅞ | 64⅞ | + 1⅛ |
| 27 | 25 | ANR pf | 2.67 | 10. | | 5 | 25⅛ | 25⅛ | 25⅛ | |
| 8⅞ | 3⅝ | ARX | | | | 11 | 4⅛ | 4⅛ | 4⅛ | – ⅛ |
| 44⅞ | 35⅛ | ASA | 3a | 7.2 | | 397 | 41⅝ | 40⅞ | 41½ | + ⅝ |
| 22⅛ | 15⅛ | AVX | .24 | 1.2 | 16 | 455 | 20⅞ | 20⅛ | 20⅝ | – ⅝ |
| 61⅛ | 43½ | AbtLab | 1.40 | 2.4 | 17 | 1940 | 58⅛ | 57⅛ | 57⅞ | + ⅛ |
| 19 | 15⅛ | AbitiBi g | 1 | | | 18 | 16⅛ | 16⅛ | 16⅛ | – ⅛ |
| 13 | 7½ | AcmeC | .40 | 3.3 | | 58 | 12½ | 12⅛ | 12⅛ | – ⅛ |
| 8 | 5⅞ | AcmeE | .32 | 4.1 | 18 | 16 | 7⅞ | 7⅛ | 7⅞ | |
| 34⅞ | 20⅛ | Acuson | | | 25 | 321 | 32⅛ | 32 | 32⅛ | + ⅛ |
| 16⅞ | 14⅛ | AdaEx | 1.82e | 12. | | 47 | 16⅝ | 15½ | 16½ | |
| 16⅞ | 7⅛ | AMD | | | | 3769 | 9⅞ | 9⅝ | 9⅝ | – ⅛ |
| 43½ | 28⅛ | AMD pf | 3 | 9.0 | | 3 | 33⅛ | 33⅛ | 33⅛ | |
| 10⅛ | 6½ | Adobe | | | | 76 | 9⅛ | 9⅜ | 9⅝ | + ⅛ |
| 18⅞ | 16½ | Adob pf | 1.84 | 10. | | 13 | 18 | 17⅞ | 18 | + ⅛ |
| 21⅛ | 19⅞ | Adob pf | 2.40 | 11. | | 4 | 21⅛ | 21⅛ | 21⅛ | + ⅛ |
| 9⅛ | 6⅛ | Advest | .12 | 1.7 | 16 | 32 | 7 | 6⅞ | 6⅞ | – ⅛ |
| 56⅛ | 48½ | AetnLf | 2.76 | 5.0 | 9 | 1290 | 55½ | 55⅛ | 55⅛ | |
| 13⅛ | 12⅜ | AflPb n | | | | 3397 | u14 | 13⅛ | 13⅞ | + ⅝ |
| 23 | 14⅝ | Ahmans | .88 | 4.0 | 10 | 2552 | 22 | 21⅞ | 21⅛ | – ⅛ |



Continued on Page 43

# NYSE COMPOSITE PRICES

Continued from previous Page

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 1½ | ½ | ReadBt | | | | 90 | ¾ | 11-16 | 11-16 | |
| 17⅞ | 15¼ | REIT | 1.36 | 8.4 | 15 | 67 | 16⅞ | 16½ | 16½ | -¼ |
| 16½ | 13½ | RltRef | 1.72 | 12. | 8 | 3 | 14⅝ | 14½ | 14½ | |
| 12⅛ | 5½ | RecnEq | | | 35 | 256 | 11⅛ | 10⅞ | 11 | |
| 17⅛ | 9½ | Reebok | .30 | 2.3 | 11 | 1677 | 13¼ | 13 | 13⅛ | +⅛ |
| 15-32 | 7-64 | Regal | | | | 9 | 3-16 | 3-16 | 3-16 | -1-32 |
| 8⅝ | 5⅞ | RegFn | .25e | 3.0 | | 298 | 8¼ | 8⅛ | 8¼ | |
| 16 | 12½ | ReichTg | 1.76 | 12. | 9 | 198 | 14⅛ | 14⅛ | 14⅛ | |
| 6⅛ | 4¼ | RelGrp | .32 | 5.8 | 11 | 84 | 5⅝ | 5½ | 5½ | -⅛ |
| 18¼ | 16¼ | Repsol n | | | | 885 | 17⅛ | 17 | 17 | |
| 6⅞ | 4¼ | RepGyp | .20 | 3.6 | 23 | 78 | 5⅝ | 5½ | 5½ | |
| 49½ | 41 | RepNY | 1.28 | 2.7 | 9 | 595 | 48⅞ | 48⅛ | 48⅛ | -⅜ |
| 24⅞ | 13⅞ | Rxene n | 1 | 6.7 | 3 | 272 | 15¼ | 14⅞ | 14⅞ | -¼ |
| 33⅞ | 17½ | RayRay | .76 | 2.5 | 11 | 166 | 30¼ | 29½ | 30 | +½ |
| 62¼ | 47¼ | ReyMll | 1.60 | 3.0 | 5 | 1359 | 52⅝ | 52¼ | 52½ | +⅛ |
| 39 | 29⅛ | RiteAid | .82 | 2.2 | 16 | 212 | 37½ | 37⅛ | 37⅛ | -⅛ |
| 30¾ | 21⅞ | vjRobins | | | 12 | 891 | 30⅜ | 30⅛ | 30⅜ | |
| 20 | 16½ | RochG | 1.50 | 7.5 | 9 | 303 | 20 | 19⅞ | 19⅞ | -⅛ |
| 74½ | 44½ | RochTl | 2.84 | 4.0 | 16 | 152 | 70½ | 69¾ | 70¼ | +¾ |
| 20⅞ | 18½ | RckCtr | 1.84 | 9.6 | 17 | 109 | 19⅛ | 19⅛ | 19⅛ | -⅛ |
| 23½ | 18⅛ | Rockwl | .78 | 3.5 | 7 | 1806 | 22¼ | 22⅛ | 22⅛ | |
| 37½ | 30¼ | RohHaa | 1.12 | 3.3 | 10 | 593 | 34⅛ | 33⅞ | 33⅞ | -⅛ |
| 37⅞ | 25⅝ | Rohr | | | 16 | 404 | 30½ | 30⅛ | 30⅛ | -⅜ |
| 17 | 9 | RollnE s | .08 | .7 | 31 | 1372 | 11⅛ | 10⅜ | 10⅜ | -⅜ |
| 20 | 15¼ | Rollins | .54 | 2.7 | 19 | 290 | 19⅞ | 19½ | 19⅞ | +½ |
| 48¼ | 32¼ | Rorer | .80 | 2.1 | 19 | 740 | 38⅝ | 37⅝ | 37⅝ | -¼ |
| 8⅝ | 4½ | Rowan | | | | 1165 | 7⅝ | 7½ | 7½ | |
| 65½ | 52⅛ | RoylD | s3.32e | 5.4 | 9 | 2677 | 62 | 61½ | 61⅝ | -⅛ |

# AMEX COMPOSITE PRICES

3pm prices June 21

# OVER-THE-COUNTER

Nasdaq national market, 3pm prices June 21

| Stock | Div. | P/E | Sales 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Worthg | .48 | 14 | 458 | 21¾ | 21½ | 21½ | -⅛ |
| Wymon | .80 | 70 | 435 | 19¼ | 18¾ | 19 | -¼ |
| **-X-Y-Z-** | | | | | | | |
| XL Dta s | | 19 | 66 | 23 | 22½ | 22½ | -½ |
| XOMA | | | 493 | 19 | 18¾ | 19 | +¼ |
| Xicor | | 9 | 1739 | 6⅞ | 6⅝ | 6⅞ | +¼ |
| YelowF | .70 | 10 | 832 | 27 | 26⅜ | 27 | +½ |
| ZionUt | 1.44 | | 17 | 25½ | 25 | 25 | |
| Zycad | | | 7 | 3½ | 3¼ | 3¼ | -1-16 |

FINANCIAL TIMES Thursday June 22 1989

AMERICA

# Dow rebounds on news of ebbing economic growth

## Wall Street

TAKEOVER stocks continued to provide the main interest in a market which lacks overall direction and the morning session simply tracked the bond market, *writes Janet Bush in New York.*

The Dow Jones Industrial Average registered a loss of more than seven points in the early part of the morning session but then rebounded as bonds reacted positively to the publication of the US Federal Reserve's Tan Book which pointed to a further ebbing of economic growth and no accleration in wage or price pressures.

At 2 pm, the Dow, which had recorded declines in five out of the previous six sessions, was quoted 3.79 points higher at 2,476.67. Volume was moderate at 106m shares. Other leading stock indices also registered small gains by midsession.

There is no doubt that the equity market has lost its momentum for the time being after its impressive run-up earlier this month on high optimism about a soft landing with controlled inflation and lower interest rates. The euphoria is not in the market anymore and there is a great deal of indecision about where the market is headed next.

Over the past two months, the Dow has struggled to stay above the 2,500 level for long and continues to find it a hurdle. The close on Tuesday at 2,472.88 was the lowest for over a month.

Economic news was thin on the ground. The Tan Book helped bonds somewhat, as did a small recovery in the dollar from its lows.

The Dow Jones Transportation was again quoted at an all-time high at midsession as airline stocks continued to benefit from takeover speculation. The transport index was up 5.98 points at midsession at 1,173.35.

Pan Am appeared to confirm speculation this week that the losing bidders for NWA would turn their sights on another target. Pan Am's chairman said that the airline has not ruled out trying to acquire another carrier.

At midsession, UAL was up \$1 at \$134⅓, AMR added \$1¼ to \$64⅞ and Delta gained \$2⅛ to \$70⅝.

Auto stocks were weaker after Kidder Peabody cut its 1990 earnings estimates on the top three auto manufacturers by more than 50 per cent and lowered its investment ratings on General Motors and Ford. GM was quoted \$⅛ lower at \$40⅝. Ford fell \$⅛ to \$48⅝ and Chrysler dipped \$¼ to \$25¼.

Among featured individual stocks was Schwitzer which fell \$1⅝ to \$10⅞. The company lowered its estimate of 1989 earnings from operations to a range between 70 cents and 80 cents a share.

Measurex rose \$1¼ to \$28 after it reported higher second quarter earnings. It had fallen \$1½ on Tuesday.

Cordis fell \$2¼ to \$13½ in over-the-counter trading. The company said that a ruling by the Food and Drug Administration on the application status of its balloon catheter could delay introduction of the device in the US for several months.

## Canada

STOCKS drifted lower at midday. Analysts said investors are sitting on the sidelines, amid indications that interest rates are not declining. The key Bank of Canada rate is expected to stay at its current level of 12.31% at its weekly setting Thursday, they said.

The composite index fell 7.10 to 3,739.80. Advances were even with declines, 239 to 247, on volume of 12.3m shares.

Core-Mark was up C\$¼ to C\$6¼ after a group of former managers raised its bid for 57% of the stock to C\$6.50 per share from C\$5.50. A competing bid from New York-based investment firms is still outstanding at C\$6.25.

# Japan's nimble army of private investors

**Michiyo Nakamoto** reveals how individuals have become a force to be reckoned with

MR Yoshitsugu Hirayama, president of Hirayama Real Estate in Tokyo, talks about his stock investments with the passion of a horse-racing fan talking about his favourite steed. "Tell the British to buy the stocks I recommend," he says. "They will produce enough profits to go around the world on the QE2 three times and still have money left over."

Yoshitsugu Hirayama: 'Tell the British to buy my stocks'

Mr Hirayama has passed on the core of his property business to his son and now spends most of his days watching the stock market. As a self-made businessman he is fairly typical of the large number of wealthy Japanese individuals who invest actively in equities. However, his stake of some tens of billions of yen would certainly rank him as one of the bigger fry.

The financial power of Japan's huge institutional investors and the scale of their influence on capital markets throughout the world is already widely recognised, but the power of this new breed of individual investors should not be ignored either.

After the 1987 crash, it was the individual investors, not the institutions, who immediately saw the opportunity to buy shares at bargain prices and plunged back into the market, helping it to recover sooner than either Wall Street or London. This year, as institutions have remained cautious in the face of currency and interest rate worries and political strife at home and abroad, individual investors have skipped nimbly in and out of the market.

Interest in the market among a wide range of investors, from the billionaire entrepreneur to the thrifty housewife, has mushroomed in the past few years as Japan's roaring economy has brought a surge in personal incomes and as bank saving incentives have been removed. "The average Japanese is quite intelligent," says a long-time stock salesman, "they can see that it is ridiculous to put money in the bank."

There were two seminal events that stimulated interest in the market among individuals. The first was the initial public offering by the Government two years ago of shares in the huge telecommunications company, Nippon Telegraph and Telephone (NTT).

NTT shares were seen as a once-in-a-lifetime bargain and attracted so much interest that the number of people who signed up for a special lottery to buy one share at the unprecedentedly high price of Y1.2m (\$8,300) reached 10.7m – six times the 1.95m shares available and twice the entire number of Japanese stockholders.

Pensioners pulled out their savings and businessmen and female office workers dipped into several bank accounts to scrape together enough money for their one share. "NTT attracted a lot of investors who had never bought stocks and who knew nothing about the market," says a salesman at one of Japan's leading securities firms.

The second development was the extraordinary surge in land prices between 1986 and 1988. "The real estate boom had a very positive effect on the market," says Mr Kozo Kato, a veteran salesman at Akane Securities who has been selling stocks to individuals for nearly 30 years. "People began looking at the market the way they looked at real estate – that it will keep on rising, just as land prices always rise."

Property owners in downtown Tokyo were often forced to sell as a result of sky-high inheritance taxes and many found themselves millionaires overnight. "People in their 60s and 70s who had bought real estate in the 1950s can now afford to put millions of yen in the stock market," says Mr Kato. Some banks even encourage these people to borrow money to invest in the stock market, using their property as collateral.

But it was the real estate companies that benefited most from the rise in property prices, and the private owners of many of these companies have become large-scale and often conspicuous investors in the Tokyo stock market.

When property prices started levelling off after the summer of 1987, property brokers started looking even more eagerly at equities for quick gains. "They put in lumps of money, Y300m to Y500m at a time," says one salesman.

Surprisingly, a new capital gains tax introduced this April has also played a part in stimulating individual activity in the market, partly because the rate was set very low and also because it clarified the situation. Under the former rules, investors could never be sure when the tax inspector would decide they were investing as an occupation, in which case they were liable to tax, rather than as a sideline.

Active trading by individuals makes for a more exciting market, says Mr Norio Watanabe, director of Credit Suisse Investment Advisory. Institutional investors are more cautious and predictable, while individuals are more willing to take risks and tend to move more quickly in and out of the market.

Yet while the wealth of certain individuals has continued to snowball as share prices have jumped to new highs, the voice of resentment among the have-nots has also grown louder, as the uproar caused by the Recruit scandal in the past year has shown.

Mr Watanabe is concerned that if this kind of bull market goes on for another year or two, there could be criticism that securities investment is too lucrative. Such resentment could then prompt the Ministry of Finance to tighten the tax screws on individual investors.

But there seems little doubt that while the market remains in a bullish mood, individuals will keep coming back. "The problem," says Mr Kato, "is that there is nowhere else to put the money."

EUROPE

# Specific sectors targeted as bourses lack direction

PRICE movements were narrow in Europe yesterday as some bourses betrayed a lack of direction and investors focused on specific sectors, *writes Our Markets Staff.*

FRANKFURT managed to end slightly higher after a weak opening as renewed buying orders offset profit-taking that followed two days of sharp rises. Turnover was very active again at DM6bn, but well down on Tuesday's DM10.3bn, which was thought to be an all-time record. Direct comparisons are difficult since the calculation method for turnover was changed after the 1987 crash.

The FAZ index lost 2.13 to 615.05 at midsession, but by the close the real time DAX index was up 2.50 at 1,474.61.

Blue chips outperformed, with Daimler making up more lost ground with a DM24 climb to DM725. The motor group was benefiting from a perception that it had been oversold and could be over the worst in profits performance. A rumour it might be planning co-operation with Fiat on the trucks side provided a further boost.

The strength of blue chip leaders showed that foreigners were active buyers, said one analyst, adding that it could also make the market vulnerable because overseas investors often take profits quickly.

Construction stock Holzmann fell a heavy DM40 to DM985 after news that Advanta, a small planning company, had taken a 10 per cent stake. The stock has climbed recently on speculation that Holzmann's big shareholders might be selling.

PARIS had a fairly featureless session and shares ended mixed in volume estimated at FFr2bn, similar to recent days. Firmer short-term interest rates kept investors nervous.

CGE fell FFr13.40 to FFr445.60 after its shareholders' meeting on Tuesday approved a plan to limit voting rights to 8 per cent of the capital. The Commission des Opérations de Bourse (COB) said yesterday it planned no further action against CGE or Lafarge, which also intends to restrict voting rights. Lafarge was steady at FFr1,679, supported by fundamentals.

BSN was active and rose FFr9 to FFr964, with buying reported from London. The stock had lost ground following the company's purchase of five European Nabisco businesses.

The OMF 50 index edged up 0.37 to 496.69 but the CAC 40 was off 1.97 at 1,737.59. The opening CAC General index rose 4.8 to 481.30.

MILAN recovered from small early declines in late trading, with interest concentrated on De Benedetti group shares and the banking sector. The Comit index rose by just 0.48 to 643.44 and volume was L280bn, up slightly from Tuesday.

However, Fiat fell L55 to a post-close L10,235 on profit-taking following its recent surge.

In the banking sector, Mediobanca rose L600 to a post-close L23,800 while Banca Commerciale Italiana was L140 higher at L4,600. Mr De Benedetti's CIR rose L150 to L6,320 after hours.

AMSTERDAM finished a moderately active day just below highs. A weaker Wall Street dampened sentiment. The CBS tendency index closed up 0.8 at 192.8.

Steel maker Hoogovens added 40 cents to Fl 119.70, continuing its rally on higher profit expectations.

Royal Dutch shed Fl 1.30 to Fl 137.30 on uncertainty over of oil production and prices.

Airline KLM extended Tuesday's gains, adding Fl 2.20 to a new 1989 high of Fl 52.90 as investors welcomed its expansion plans. Fokker, the aircraft maker, put on Fl 1.10 to Fl 46.60, still helped by news that it is close to winning a big order from Pan Am.

ZURICH hit another year's high in active trading as investors looking for laggards selected banking stocks. The Crédit Suisse rose 2 to 605.1.

Union Bank bearers added SFr70 to SFr3,370 while Swiss Bank Corp bearers put on SFr7 to SFr313.

Buying interest also concentrated on Sandoz, the chemical group, whose registered shares put on SFr250 to SFr10,750.

MADRID was quiet again. One analyst suggested that positive news on inflation and Spain's entry into the European Monetary System had been largely discounted in the powerful ascent in share prices in May and that foreigners, at least, believed the market was fully priced.

The general index rose 0.47 to 311.15 in volume estimated at less than \$100m. Telefonica led gains with a rise of 5.25 percentage points to 203.75.

STOCKHOLM closed strongly after an erratic day. Blue chips rose as investors filled their portfolios ahead of the summer holidays. The Affärsvärlden General index closed up 3.2 at 1,207.8 in moderate turnover.

BRUSSELS suffered from worries over the economy and interest rates and ended mostly lower in dull trading.

OSLO closed marginally lower, with little news to stimulate activity. The all-share index slipped 1.46 to 489.8. Aker proved popular with foreigners, moving up NKr4 to NKr126 as NKr32m worth of shares changed hands.

## SOUTH AFRICA

GOLD and most other leading mining shares closed easier in spite of steady precious metal prices, but trading was thin in the absence of clear incentives.

ASIA PACIFIC

# Nikkei gains grounds despite jitters on yen

## Tokyo

RIDING on the tail of Tuesday's rebound, and encouraged by a feeling that share prices had bottomed out, the market took an upturn yesterday although trading was thin, *writes Yuriko Mita in Tokyo.*

Once again, the market opened on a strong note but lost its vigour by midmorning as investors remained cautious amid directionless trading. The initial show of strength by the yen encouraged early interest in equities while foreign enthusiasm, which was strong for the second day in a row, and index-fund buying by securities firms gave share prices additional momentum.

Stability on the currency market helped by intervention by the Bank of Japan and dollar selling by exporters, was, however, short-lived. As the yen lost steam towards midday, equities moved in accordance and dipped lower.

Investors were still unsure whether large or small issues would lead the market. By the close, trading was still mixed due to a lack of incentives for investors but the Nikkei average managed to close 111.81 points higher at 33,345.28.

The high for the day was 33,376.53 and the low 33,177.42. Advances led declines by 500 to 370, while 209 issues remained unchanged. Volume slipped to 627m shares from 683m on Tuesday. The Topix index of all listed issues rose 12.77 to finish at 2,469.4. In London the ISE/Nikkei 50 index fell 0.61 to 1,965.94.

There was some encouragement for investors in a survey released on Tuesday, which revealed a 28 per cent increase in capital investment by small and medium-sized companies; this added credence to the belief that the Japanese economy is in no danger of slowing. This record growth is the largest since fiscal 1974, and a reported 25.2 per cent increase in investments for the first half of fiscal 1989 stirred expectations of further economic expansion.

Those looking to raise the value of their holdings or hoping to limit the extent of their losses took the chance offered by a stronger yen to support large capital shipbuilding issues. The three most actively traded issues yesterday were shipbuilders – Kawasaki Heavy Industries, Mitsubishi Heavy Industries and Ishikawajima-Harima Heavy Industries.

In Osaka, the OSE average stepped up 180 points to 32,386. Turnover, however, sank to 58m shares from 66m on Tuesday. The best performer of the day was Kawasaki Heavy Industries, which rose Y90 to Y1,180.

## Roundup

HONG KONG continued to fall – losing 4.5 per cent over the past five sessions – while among other Asia Pacific markets both Singapore and Australia eased slightly.

HONG KONG closed lower in very light turnover with investors content to stay on the sidelines amid uncertainty over China and its effect on Hong Kong's economy.

The Hang Seng index lost 65.21 to 2,272.50. Volume eased slightly to HK\$732m from Tuesday's HK\$741m.

The most active stock was Swire Pacific A which lost 30 cents to HK\$14. Hongkong Bank fell 10 cents to HK\$5.45.

SINGAPORE finished marginally easier but above early lows after some late buying interest and bargain-hunting.

The Straits Times Industrial index shed 6.82 to close at 1,302.30. Falling stocks led rises by 118 to 68.

Trading was quiet as turnover slipped to 58m shares from Tuesday's 65m. Small investors were the main participants.

AUSTRALIA drifted to a lower close in subdued trade following higher than expected April retail sales figure.

The seasonally adjusted rise of 0.8 per cent to A\$6.65bn in April created a sellers' market. The figure underlined the fact that interest rates were likely to stay high.

The All Ordinaries index closed 8.4 points lower at 1,528.2.



## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | TUESDAY JUNE 20 1989 | | | | | | MONDAY JUNE 19 1989 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Day's change % local currency | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1989 High | 1989 Low | Year ago (approx) |
| Australia (86) | 132.96 | +1.2 | 127.22 | 116.69 | +0.7 | 5.05 | 131.38 | 125.75 | 115.87 | 157.12 | 128.28 | 149.34 |
| Austria (19) | 122.65 | +0.5 | 117.35 | 126.02 | +0.0 | 2.11 | 121.98 | 116.75 | 126.04 | 124.16 | 92.84 | 88.75 |
| Belgium (63) | 128.65 | +0.3 | 123.10 | 131.68 | +0.0 | 4.17 | 128.25 | 122.75 | 131.73 | 137.10 | 125.58 | 121.89 |
| Canada (123) | 139.00 | −0.1 | 133.00 | 120.74 | +0.0 | 3.34 | 139.08 | 133.12 | 120.75 | 141.80 | 124.67 | 128.53 |
| Denmark (38) | 191.86 | −1.1 | 183.57 | 200.66 | −1.0 | 1.68 | 194.05 | 185.73 | 202.63 | 194.05 | 165.35 | 129.59 |
| Finland (26) | 141.68 | +0.3 | 135.56 | 131.15 | −0.1 | 1.65 | 141.21 | 135.16 | 131.30 | 159.16 | 125.81 | 138.31 |
| France (128) | 118.12 | +0.8 | 113.02 | 124.37 | +1.1 | 3.05 | 117.16 | 112.14 | 123.04 | 122.79 | 112.57 | 95.06 |
| West Germany (100) | 88.19 | +0.9 | 84.38 | 90.69 | +1.1 | 2.24 | 87.45 | 83.70 | 89.70 | 90.40 | 79.56 | 76.64 |
| Hong Kong (49) | 97.49 | −0.5 | 93.28 | 97.60 | −0.3 | 5.48 | 97.95 | 93.75 | 97.93 | 140.33 | 86.41 | 107.78 |
| Ireland (17) | 133.72 | +0.6 | 127.95 | 139.88 | +0.8 | 3.01 | 132.94 | 127.24 | 138.81 | 151.36 | 125.00 | 138.37 |
| Italy (97) | 82.37 | −1.0 | 78.81 | 88.16 | −0.9 | 2.52 | 83.21 | 79.64 | 88.97 | 86.88 | 74.97 | 72.61 |
| Japan (455) | 171.72 | +0.8 | 164.30 | 156.36 | +0.6 | 0.51 | 170.33 | 163.03 | 155.48 | 200.11 | 164.22 | 170.90 |
| Malaysia (36) | 180.02 | +0.1 | 172.25 | 187.72 | +0.0 | 2.56 | 179.77 | 172.07 | 187.81 | 185.03 | 143.35 | 147.70 |
| Mexico (13) | 256.23 | +3.5 | 245.17 | 697.58 | +3.7 | 0.72 | 247.51 | 236.90 | 672.61 | 256.23 | 153.32 | 180.07 |
| Netherland (42) | 118.89 | +0.1 | 113.76 | 120.82 | +0.3 | 4.28 | 118.74 | 113.65 | 120.45 | 122.22 | 110.63 | 105.74 |
| New Zealand (24) | 66.24 | +0.9 | 63.38 | 61.28 | +0.2 | 6.08 | 65.63 | 62.81 | 61.13 | 76.02 | 62.64 | 82.30 |
| Norway (26) | 174.91 | +1.3 | 167.36 | 170.28 | +1.3 | 1.56 | 172.66 | 165.26 | 168.09 | 196.39 | 139.92 | 124.37 |
| Singapore (26) | 160.58 | +0.4 | 153.65 | 144.97 | +0.3 | 1.91 | 159.90 | 153.05 | 144.57 | 161.98 | 124.57 | 120.25 |
| South Africa (60) | 142.52 | +0.5 | 136.36 | 125.87 | +0.5 | 4.25 | 141.86 | 135.78 | 125.29 | 144.86 | 115.35 | 128.69 |
| Spain (43) | 147.65 | −1.1 | 141.27 | 140.71 | −0.6 | 3.59 | 149.36 | 142.96 | 141.55 | 156.17 | 143.14 | 159.27 |
| Sweden (35) | 162.08 | −0.4 | 155.09 | 160.11 | −0.4 | 2.15 | 162.78 | 155.80 | 160.73 | 162.78 | 138.45 | 120.56 |
| Switzerland (57) | 77.86 | −0.2 | 74.50 | 82.54 | +0.1 | 2.47 | 78.04 | 74.69 | 82.49 | 79.76 | 67.61 | 81.27 |
| United Kingdom (314) | 138.58 | +0.5 | 132.60 | 132.60 | +0.5 | 4.41 | 137.86 | 131.95 | 131.95 | 153.33 | 133.28 | 137.91 |
| USA (557) | 131.03 | −0.2 | 125.38 | 131.03 | −0.2 | 3.42 | 131.29 | 125.66 | 131.29 | 133.36 | 112.13 | 110.65 |
| Europe (1005) | 116.83 | +0.3 | 111.79 | 116.41 | +0.4 | 3.54 | 116.46 | 111.47 | 115.92 | 121.70 | 112.63 | 109.07 |
| Nordic (125) | 157.76 | −0.4 | 150.94 | 152.77 | −0.4 | 1.87 | 158.46 | 151.67 | 153.41 | 158.46 | 137.95 | 116.29 |
| Pacific Basin (676) | 167.48 | +0.8 | 160.25 | 152.68 | +0.6 | 0.74 | 166.16 | 159.03 | 151.84 | 194.72 | 160.44 | 167.53 |
| Euro−Pacific (1681) | 147.30 | +0.6 | 140.94 | 138.12 | +0.5 | 1.65 | 146.36 | 140.09 | 137.42 | 164.22 | 141.56 | 144.16 |
| North America (680) | 131.42 | −0.2 | 125.74 | 130.40 | −0.2 | 3.42 | 131.67 | 126.02 | 130.64 | 133.73 | 112.79 | 111.50 |
| Europe Ex. UK (691) | 102.98 | +0.2 | 98.53 | 106.39 | +0.4 | 2.88 | 102.81 | 98.41 | 106.00 | 105.29 | 96.30 | 91.18 |
| Pacific Ex. Japan (221) | 116.79 | +0.6 | 111.75 | 106.64 | +0.3 | 4.88 | 116.09 | 111.11 | 106.30 | 137.65 | 111.93 | 126.94 |
| World Ex. US (1877) | 147.03 | +0.6 | 140.68 | 137.62 | +0.5 | 1.73 | 146.12 | 139.86 | 136.94 | 162.77 | 141.49 | 143.42 |
| World Ex. UK (2120) | 140.53 | +0.3 | 134.46 | 135.65 | +0.2 | 2.09 | 140.07 | 134.07 | 135.32 | 146.04 | 136.98 | 130.06 |
| World Ex. So. Af. (2374) | 140.33 | +0.3 | 134.27 | 135.41 | +0.3 | 2.28 | 139.85 | 133.85 | 135.06 | 146.65 | 136.67 | 130.75 |
| World Ex. Japan (1979) | 125.59 | +0.0 | 120.17 | 124.66 | +0.1 | 3.52 | 125.55 | 120.17 | 124.59 | 126.50 | 114.51 | 111.49 |
| The World Index (2434) | 140.34 | +0.3 | 134.28 | 135.34 | +0.3 | 2.29 | 139.86 | 133.86 | 134.99 | 146.51 | 136.68 | 130.74 |


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Constituent changes: Deletions:(21/6/89) North Kalgurli Mines (Australia),Ogilvy Group (US) and Utd. Cable TV (US).